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THE IMPACT OF INSTITUTIONAL REFORMS ON POVERTY AND INEQUALITY IN TANZANIA

Godfrey Sansa

A thesis submitted for the degree of Doctor of Philosophy

University of Bath

Department of Social and Policy Sciences

July, 2010

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Table of Contents

List of Tables.....	v
List of Figures.....	x
List of Abbreviations.....	xi
Acknowledgements.....	xiii
Dedication.....	xiv
Abstract.....	xv
PART ONE.....	1
Chapter 1: Introduction.....	2
1.1 Introduction.....	2
1.2 Background to the Problem.....	2
1.3 Research questions and Objectives.....	5
1.4 Significance of the Study.....	6
1.5 The Locus of the Study.....	6
1.6 Definitions.....	6
1.7 Shifts in the poverty, inequality and insecurity dialogue.....	8
1.8 The Plan of the Thesis.....	8
Chapter 2: Literature Review.....	11
2.1 Institutions, Poverty and Inequality.....	11
2.1.1 General Empirical Experience.....	11
2.1.2 Developing Countries' Experience.....	12
2.2 Theoretical and Conceptual Landscape.....	14
2.2.1 The Genealogy and Taxonomy of New Institutionalism.....	15
2.2.2 Agency and Institutional Change.....	18
2.2.3 Models of Institutional Dynamism (MID).....	20
2.2.4 The GIC and Historical Institutional Analysis.....	22
2.3 Historical Institutional Oriented Conceptual Frameworks.....	23
2.4 Conclusion.....	26
Chapter 3: Methodologies, Methods and Rationale.....	28
3.1 Historical Institutional Reform Impact Approach (HIRIA).....	28
3.2 The Workings of the Study.....	29
3.3 Sources of Data and Methods of Collection.....	29
3.3.1 Documentary Review Method.....	30
3.3.2 Interview Method.....	32
3.4 Establishing the Quality of the Conclusions.....	33
3.5 Generalizability of the Findings.....	33
3.6 Ethical Considerations and Fieldwork Experiences.....	33
PART TWO.....	36
Chapter 4: Institutional Development and Change: <i>a Retrospective Exploration</i>.....	37
4.1 The Colonial Period (1885-1961).....	37
4.1.1 The German's rule (1885-1918).....	37
4.1.2 The British rule (1919-1961).....	39
4.2 Post -Colonial (Independence) Period (1961- 1987).....	49

4.2.1	The Immediate Post-Independence Period (1961-1966).....	49
4.2.2	The Ujamaa (<i>Socialist</i>) Phase 1967-1985.....	56
4.3	The External Institutional Context of Poverty Alleviation.....	66
4.4	Conclusion.....	74
Chapter 5: The Evolution of Poverty and Inequality (1961-1985): <i>Rhetoric and Praxis</i>		76
5.1	Early Concerns of Poverty and Inequality.....	76
5.2.1	The Basic Poverty (BP).....	76
5.2.2	The Enforced Poverty (EP).....	79
5.3	Post-Independence Period (1961-1985).....	80
5.3.1	The Immediate Post-independence Initiatives (1961-1966).....	80
5.3.2	Ujamaa Period (1967-1985).....	87
5.3.3	Impact of Ujamaa institutional and policy reforms.....	92
5.4	Conclusion.....	95
PART THREE		97
Chapter 6: From Ujamaa to Ubepari: <i>The Mode of Institutional Reform and Social Group Dynamics (1980-1995)</i>		98
6.1	Institutional Reforms in Perspective.....	98
6.2	The Politics of Institutional Separation and Group Disintegration.....	99
6.2.1	The Party-IMF Tension.....	99
6.2.2	The Party's Soul-Searching and Coalition Politics.....	99
6.2.3	The Triumph of the bureaucrats.....	100
6.2.4	The Rise of the Economists.....	102
6.3	The Beginning of the End of Ujamaa.....	104
6.3.1	Legitimizing Protected Capitalism.....	105
6.3.2	The <i>Ruksa</i> Economy and the Rise of the <i>Nyang'au</i> Society.....	106
6.4	The Economic power transfer and Aid-dependence Syndrome.....	107
6.5	The Church: An Emerging Counter Resistance Force.....	108
6.6	Characteristics of the Mode of the Institutional Reforms.....	110
6.7	Conclusion.....	113
Chapter 7: The Character of Neo-Liberal Institutional Order		114
7.1	The SAP and MKUKUTA: Getting Institutions Right and Rediscovering Poverty.....	114
7.2	The Ambivalence of the Neo-liberal Institutional Order (NLIO).....	117
7.2.1	Institutional Syncretism and Ethical Duality.....	117
7.2.2	Legal and Administrative Institutional Discrepancy.....	119
7.2.3	The Legal and Administrative Status of the Neo-liberal Market Economy.....	123
7.3	The Paradox of Formal (Legal) Superiority and Inaccessibility.....	133
7.4	Conclusion.....	133
Chapter 8: The Organization of Production and Conditions of Poverty		134
8.1	The Character of Organization of Production.....	134
8.2	The Structure of the Economy and Patterns of Growth.....	136
8.3	Marginalization of Rural and Agricultural Sector.....	138
8.4	Regional Economic Disparities.....	140
8.5	Accessibility to Productive Resources.....	143
8.6	Poverty and Inequality in Production.....	146

8.7	Poverty and Socio-economic Security.....	151
8.8	Conclusion.....	159
Chapter 9: Corruption and Poverty Alleviation.....		160
9.1	The Concerns for Corruption.....	160
9.2	The Concept of Corruption.....	162
9.3	Institutional Reforms, Corruption and Poverty.....	162
9.3.1	Existence of Overwhelming Impunity.....	164
9.3.2	Moral Circumvention and the Plight of the Poor.....	166
9.4	The Scope and Status of Corruption.....	169
9.5	Impact of Corruption on Poverty Alleviation.....	171
9.5.1	Policy-making Distortions.....	171
9.5.2	Diversion and Mismanagement of Productive Resources.....	176
9.5.3	Weak Institutions of Protection and Declining Public Trust.....	178
9.6	Conclusion.....	180
PART FOUR.....		182
Chapter 10: Summary and Conclusion.....		183
10.1	Introduction.....	183
10.2	Summary of the key findings.....	183
10.3	Implications of the findings for practice.....	193
10.4	Theoretical Contribution.....	194
10.5	Methodological Evaluation.....	195
10.6	Conclusion.....	195
References.....		197
Appendices.....		214

List of Tables

Table 2.1: The Genealogy and Taxonomy of New Institutionalism.....	17
Table 2.2: Conception of Institutions by the Three Institutional Approaches.....	18
Table 2.3: How Structures affect Agency.....	19
Table 3.1: Criteria for Assessing the Quality of Documents.....	30
Table 3.2: Interview Process and Rationale.....	32
Table 4.1: Different Social Groups and Status in Tanganyika.....	49
Table 4.2: Key Characteristics Common Law, Customary Law and Civil Law Traditions.....	54
Table 4.3: Top Five Recipients of Aid to Africa between 1970 and 1995.....	68
Table 4.4: Total effective development Assistance in relation to GDP for East African Countries, 1978-1997 (in %).	68
Table 4.5: Total Aid to Tanzania, 1970-1981 (in Millions of U.S Dollars).....	68
Table 4.6: Washington Consensus's key Policy Commitments.....	69
Table 4.7: Total Aid to Tanzania, 1982-1996 (in Millions of U.S Dollars).....	70
Table 5.1: Comparative Net Geographical Product of East African Territories in 1952(in £millions).....	77
Table 5.2: Gross domestic product at factor cost and current prices, 1961.....	80
Table 5.3: Selected indicators of development in Tanganyika (1960/61).....	80
Table 5.4: Gross Domestic Products (at factor cost) and National incomes at Current prices -1961-1966 (<i>Values in Millions of Tshs</i>).....	82
Table 5.5: Gross domestic product at factor cost and constant prices (1960-1965).....	83
Table 5.6: Total employment in major agricultural estate Industries, 1962-1966.....	83
Table 5.7: Localization of the senior and middle grade civil service as at 31 ST December 1968.....	84
Table 5.8: Net output of private Agriculture, Forestry and Fishing, 1965 & 1966 (in millions of Tshs).....	85

Table 5.9: Regional distribution of manufacturing employees, 1961, 1965 and 1972.....	85
Table 5.10: Trend of monthly legal minimum wages for regular employees aged 18 + in shillings between 1957 and 1975.....	86
Table 5.11: Government Employment, 1979-83.....	92
Table 5.12: Growth of Production, Population and Inflation (annual average %), 1965 to 1987.....	93
Table 5.13: Type of employment in Tanzania (1978-1988).....	93
Table 5.14: Development trends between 1983 and 1986.....	95
Table 6.1: The link between the Catholic Church and Ujamaa approach to a good society.....	108
Table 7.1: Reflections on the Unstable Synthesis of Ethical Duality during Ujamaa.....	118
Table 7.2: Examples of Institutional Syncretism on Legal Response to Land Accessibility and Poverty alleviation.....	118
Table 7.3: Some Reflections on the Syncretistic Leadership View and Response to Poverty Alleviation.....	119
Table 7.4: Divergent Views on Rights and Justice in the Context of the Land Tenure Reform in Tanzania	121
Table 7.5: Spread of Authorities Complained against (in %) by 1994.....	124
Table 7.6: Extent of Involvement of Different Organs in the Resolution of Land Disputes (in %) by 1994.....	124
Table 7.7: The Size of the Extralegal (Informal) Economy in Tanzania.....	129
Table 7.8: Selected Institutional Reforms Responsible for Suppressing Informal Economy and Private development Initiatives.....	130
Table 7.9: Reflection on the anti-formal (legal) institutional sentiments and distrust on the part of the poor.....	131
Table 7.10: Constraining Regulations/Procedures Governing Business and the Costs Involved.....	132
Table 8.1: The Structure of the Economy and Patterns of Sectoral Growth (in percentages %) (1990-2006).....	136
Table 8.2: Shares of GDP by Economic Sector (Current Prices -2001 series annual estimates in %) (1998-2006).....	137

Table 8.3: Percentage Distribution of Economically active and Currently Employed Population (15+ years) by Main Occupation and Geographical Area (2007).....	137
Table 8.4: Percentage Distribution of Economically active and Currently Employed Population (15+ years) by Main Industry and Geographical Areas (2007).....	138
Table 8.5: Priority on Key Productive Sectors between Mkukuta (Government) and the Manifesto (the Party)(2006).....	139
Table 8.6: Government Assistance provided to improve agricultural and Livestock production (2007).....	139
Table 8.7: Regional Distribution of Industrial Activities and Employees -1999-2003...	141
Table 8.8: Number and Percentage Distribution of Registered Business and Workers by Region including Dar es Salaam (2007).....	141
Table 8.9: Distribution of Main Activities of Adults (15+ years) in the previous Seven Days by Geographical Area (2007).....	142
Table 8.10: Number of Agricultural Households Receiving Credit (from all sources) by Sex of household head -2002/03.....	143
Table 8.11: Number of Agricultural Households Receiving Credit by Main Source of Credit in Tanzania Mainland-2002/03.....	144
Table 8.12: Number of Agricultural Households reporting the main reasons for Not Using Credit on the Tanzanian Mainland-2002/03.....	145
Table 8.13: Trends in the AAC, Changes in the last Three Years, by Poverty Headcount.....	145
Table 8.14: Selected Regulations /Procedures Governing Establishment of Business - Tanzania Mainland-(2005).....	146
Table 8.15: Regulations /Procedures Governing Real Estate – the Tanzanian Mainland-(2005).....	146
Table 8.16: Incidence and Depth of Poverty in Tanzania-1991-2007.....	147
Table 8.17: Distribution of the Poor in Tanzania (2007).....	147
Table 8.18: Gini Coefficients.....	148
Table 8.19: Percentage Share of Consumption Expenditure by Quintile -2007.....	149
Table 8.20: Inequality in Annual Earnings by Sector, Gender and Type of Employment (%).....	149

Table 8.21: Mean Per Capita Household Monthly Income by Source (Tshs, HBS 2007).....	150
Table 8.22: Distribution of Main Activities of Adults (15 to 60 years) by Geographical Area and Gender (2000-2007).....	150
Table 8.23: Percentage of household income by source (HBS 2007).....	151
Table 8.24: Percentage of Employment by sector and sex for the population aged 15+ (2006).....	152
Table 8.25: Employment Status for the economically active Population aged 15+ (2006).....	152
Table 8.26: Trend of Households with Informal Sector Activities, 2001 and 2006.....	153
Table 8.27: Unemployed rate and population 15+ years by Gender and Area, 2006.....	153
Table 8.28: Engagement in the informal sector (as main activity) by educational level and sex, 2006 (in %), 2007.....	154
Table 8.29: Structure and Coverage of Social Security in Tanzania by 2003.....	155
Table 8.30: Tanzania Social Security (Pension) Funds -Benefits Inequality Scenario....	156
Table 8.31: Main Sources of Subsistence for the Elderly (Over 60 years), 2007.....	157
Table 8.32: Expected Sources of Help for the Elderly, 2007.....	157
Table 8.33: Paying for Healthcare, 2007.....	158
Table 8.34: Perceptions on Difficulties in Accessing Free Health Care by the Elderly, 2007.....	158
Table 9.1: Two Government Initiatives towards Legal and Policy Reforms on Land with Different Motives in 1992-1994.....	166
Table 9.2: A Case of Syncretistic Approach to Corruption.....	168
Table 9.3: Transparency International's Corruption Perception Index (1998-2000).....	169
Table 9.4: Opinions on government performance in combating corruption (%) -2003...	170
Table 9.5: The Cumulative Amount of Money Lost Through Some Corrupt and Dubious Deals (2006-2009).....	170
Table 9.6: Government Budget in billions of TShs between the 2007 and 2008 financial years.....	177

Table 9.7: Some Aspects of Inquiry and Observations/Arguments made by the PCRAGMMS-2008.....	177
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Table 9.8: Comparison of Oppinion Poll Results on the Performance of the Cabinet and Parliament in 2006, 2007 and 2008.....	180
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Table 9.9: Reasons for Being “Fairly” or “Not” Satisfied with the Performance of the government in Power in 2007 and 2008.....	180
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List of Figures

Figure 1.1: Conceptualization of Institutions.....	7
Figure 3.1: Interactive Model of Qualitative Content Analysis Approach (IM-QLCAA)...	31
Figure 4.1: German Administrative Structure.....	38
Figure 4.2: The Organization Structure of British Indirect Administrative system.....	42
Figure 4.3: TANU-Government Interpenetration.....	52
Figure 4.4: Clan Political Organization Structure.....	57
Figure 4.5: TANU Tripartite Structure.....	58
Figure 4.6: Schematic Representation of Linkages within the District Executive Committee (DEC).....	59
Figure 4.7: The Organization of TANU's Extended Family.....	63
Figure 7.1: Percentage of Extralegal Entrepreneurs and Property in Tanzania.....	128
Figure 8.1: Estimates of average Regional GDP in “000” Tshs (Ranking, 2000-2003)...	140
Figure 9.1: The Tripartite Alliance between the Bureaucratic, Political and Business Elite.....	173

List of Abbreviations

CC	Central Committee
CCM	Chama Cha Mapinduzi
CLEP	Commission of Legal Empowerment of the Poor
CUT	Cooperative Union of Tanganyika
DC	District Commissioner
DPCC	District Party Central Committee
DDC	District Development Committee
DDPC	District Development and Planning Committee
DEC	District Executive Committee
DES	District Executive Secretary
DO	District Officer
DPC	District Party Chairman
DS	District Secretary
DWC	District Workers Council
ED	Executive Director
GCS	Government Civil Service
GDP	Gross Domestic Product
HBS	Household Budget Survey
ILD	Institute of Liberal Democracy
ILO	International Labour Organization
LE	Local Electorate
MAC	Ministry of Agriculture and Cooperatives
MKUKUTA	Mkakati wa Kukuza na Kupunguza Umasikini Tanzania
MKURABITA	Mpango wa Kurasimisha Rasilimali na Biasahara Tanzania
ML	Ministry of Labour
MP	Member of Parliament
MR	Members of REC (<i>living in district</i>)
MRA & LG	Ministry of Regional Administration and Local Government
NA	National Assembly
NC	National Conference
NEC	National Executive Committee
NSCA	National Sample Census for Agriculture
NSGRP	National Strategy for Growth and Reduction of Poverty
NUTA	National Union of Tanganyika workers
OM	Other Ministries
P NHQ	Party National Headquarter
PAf. NHQ	Party Affiliate National Headquarter
PBFP	Property and Business Formalization Programme
PCLM	Presidential Commission of Inquiry into Land Matters
PRE	Party Regional Executive
PSc. NHQ	Party Section National Headquarter
RC	Regional Commissioner
RDC	Regional Development Committee
REC	Regional Executive Committee
RWC	Regional Workers Council
TAA	Tanganyika African Association

TANU	Tanganyika African National Union
TAPA	Tanganyika African Parents Association
TEMO	Tanganyika Elected Member Organisation
TYL	TANU/Tanzania Youth League
URT	United Republic of Tanzania
UWT	Umoja wa Wanawake Tanzania
VA	Village Assembly
VDC	Village Development Committee
VEC	Village Executive Committee
VOP	Views of the People
VWC	Village Workers Council
WDC	Ward Development Committee

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Dedication

This thesis is dedicated to the memory of my late Father, Emiliano B. Sansa, who always reminded me that being the only son means becoming the best son. It is also dedicated to my mother, Beatha A. Mdulla, who taught me that even the largest task can be accomplished if it is done one step at a time.

Abstract

Poverty is a historical development curse in Tanzania, which has incited extensive institutional reforms and policy changes and received numerous analyses in development research literature. Paradoxically, taking actions to study and alleviate poverty have increased with its continuing severity. A substantial body of research on poverty in the country suggests that, the vast majority of these studies focus on *the content* rather than *the context* of poverty alleviation processes. Specifically, the focus has been on: ideas, interests and struggles for resources between political leaders and bureaucrats believed to be taking place at the expense of the poor; ill-informed and unrealistic development policies and strategies; anti-development behaviour and tendencies of the peasants and their alleged conservatism and resistance to modernity, and weak incentive structures of the economy. There is little focus on the character and dynamics of the (historical) institutional context in which these economic conditions, struggles and policy initiatives emerge and take place.

Motivated by the disappointing results of anti-poverty initiatives and weaknesses of previous studies, this study uses historical institutional impact analysis guided by institutionalist theory to analyse the problem. The central argument is that the existence and functioning character of institutions are necessary conditions for any human development activity. So, acceptance of the crucial importance of historically oriented institutional context analysis in understanding poverty alleviation initiatives and outcomes is imperative. The study draws on primary and secondary data collected through documentary review and interview methods to explain the ways in which institutional reforms result in an institutional order tolerant of poverty and which create conditions that perpetuate it. It does this by exploring the mode of historical institutional development and by examining the functioning character of the institutional order in respect of poverty alleviation. The study argues that achieving success in poverty alleviation related reforms is dependent on proper understanding of institutional realities of Tanzanian society and the functioning character of the existing institutional order. It proposes a reform process in which institutional legacies and their impact on society become the focus of the reform process itself.

The findings indicate that, while reforms and policy changes have taken place and new patterns of behaviour introduced, the logics of institutions central to development and poverty alleviation have not, been fundamentally altered and new patterns of behaviour have simply perpetuated it. Specifically, the findings suggest: first, that institutional reforms pursued by the government are inadequate due to misconception of institutional problems of Tanzanian society; second, that the reforms have created new conditions which perpetuate poverty; and, third, that fundamental character of the functioning of the Tanzanian institutional order will need to change before such anti-poverty measures can hope to succeed. Thus, the study offers a correction to ill-informed poverty analysis by providing an alternative account of the root cause of poverty while insisting that a better understanding of the failure of poverty alleviation requires a strong focus on the historical institutional realities of the country.

PART ONE



Introduction

Chapter 1

Introduction

1.1 Introduction

This study constitutes an attempt to examine critically the problems associated with institutional reforms in Tanzania. The principal focus is on how “the mode of institutional reforms” and “the functional character of the resultant institutional order” impacted on the government and citizens’ struggles against poverty, inequality and socio-economic insecurity. The main focus is on how and why institutional reforms failed to support struggles against poverty and inequality and ensure sustainable socio-economic security in the country. This is done through examination of how institutional reforms influenced the organization of production, accessibility to productive resources, public resource management, socio-economic security, and people’s commitment and engagement in socio-economic development in general, and poverty alleviation initiatives in particular.

1.2 Background to the Problem

Poverty and inequality entered Tanzania’s¹ development policy discourses as socio-economic problems and a threat to the country’s development initiatives in the late 1950s.² Limited access to resources and incomes were considered the principal sources of poverty and inequality. Poverty was also associated with socio-economic insecurity resulting from the institutional malfunctioning of both the traditional subsistence economy and the market economy. As a result, the attainment of independence was accompanied by the declaration of war against three chief national enemies: poverty, ignorance and disease. However, it was generally believed that poverty was the breeding environment for other enemies, and that it was by defeating poverty that the nation could defeat the others. Therefore, poverty became the central focus of development initiatives after independence and a national problem towards which the new government was to devote its resources.

Between 1961 and 1966, the government adopted various institutional reforms, development policies and strategies (under a capitalist market economic framework) as the first generation of anti-poverty initiative. Despite the improvement in the indices of national economy, poverty and inequality developed and increased alongside these developments.³ By 1967, the country was progressing along a development path in which the benefits of policy changes and development strategies were enjoyed by a small, privileged group. For example, the urban population prospered at the expense of the peasants. As a result of these experiences, widespread disapproval of the capitalist (market) mode of production emerged among the leaders who were accusing it of perpetuating

¹ Before independence in 1961 and the Union with Zanzibar in 1964, the Tanzanian Mainland was known as Tanganyika. Although the name Tanzania stands for “the United Republic of Tanzania”, which includes the Zanzibar Islands, it is exclusively used in this study to represent the Tanzanian Mainland which is the geographical focus of the study.

² It was after the report of the “East African Royal Commission 1953-1955” which (among other things) revealed that poverty prevailed in Tanganyika and was the basic problem to be contemplated in any future agricultural and industrial development and in any discussion of such allied matters as wages, immigration policy, capital creation and the expansion of social services.

³ There was an increase in the rate of economic growth accompanied by the expansion of industrial and agricultural production, wages and wage-earning activities, and an improvement in socio-economic welfare, which indicated not only progress in meeting some of anti-poverty development targets, but also an improvement in people’s standards of living compared to the situation during independence (see Chapter 5).

poverty, inequality and socio-economic insecurity. This, led to a radical policy shift in 1967, from capitalist (market) oriented development initiatives to Ujamaa.⁴ Several institutional reforms, policy changes and strategies⁵ followed the adoption of Ujamaa under the principles of *Ujamaa na Kujitegemea* (socialism and self-reliance) and economic growth with equity, which was accompanied by provision of free basic needs to all Tanzanians.

Unfortunately, despite the achievements in the provision of basic social welfare,⁶ attempts to achieve poverty alleviation through equitable access to social needs failed (Fieldhouse, 1986). The failure was associated with a severe economic crisis,⁷ which was linked to the failure of Ujamaa (Costello, 1996). Therefore, there was a call for institutional reforms and policy shifts away from basic needs oriented Ujamaist development initiatives towards a capitalist (neo-liberal market) model. By the mid-1980s, the socio-economic reforms began, followed by political reforms in the early 1990s, under the market oriented economic (liberalization) reform initiatives commonly known as the “Structural Adjustment Programme” (SAP), which was designed and sponsored by the World Bank and International Monetary Fund. Liberalization was adopted on the assumptions that the economic crisis which Tanzania faced from mid 1970s and which drove people deeper into poverty, was due to over expansion of the State⁸; its unlimited interference in the economy; corruption; misallocation of resources and; limited private socio-economic engagement. It was thought therefore, that the only way to resume economic growth and reduce poverty was to reform the state and establish liberal market economy. The initial emphasis on economic liberalization (which essentially meant, a reduction in the direct involvement of the state in the economic activity; a reduction of state control of economic processes; giving leeway and encouragement to private sector; and liberalizing foreign trade) rested on a twofold argument: First, that the aim of development-reduced poverty and improved welfare-is best achieved through economic growth; and second that, in order to achieve economic growth it is better to rely on free-market forces (price mechanisms) than on state intervention. The free market, it was argued, would allocate resources much more efficiently than the state and that in turn would promote economic growth and reduce poverty. Therefore, “*trade liberalization and getting prices right*” became the central focus of almost all development initiatives of the international and national development

⁴Ujamaa, which literally meant “familyhood”, was a Tanzanian version of *African Socialism* rooted in traditional African values and had the following as its core principles : the basic feeling of recognition and respect for one another; communal ownership of the major means of production as a way of avoiding class division in society and; the obligation to work (meaning rights come only with duties and, therefore, each person was entitled to rights accorded to his generation only as he fulfilled his duties of that generation).

⁵The policy measures and institutional changes which were adopted and had the most important and far reaching consequences on the future socio-economic development of the country were: the leadership code of ethics; the nationalization of the major means of production; the villagisation of the rural population; and the expansion and provision of social services, including education, health and a water supply to rural areas.

⁶There were substantial achievements in welfare which convinced the ILO Mission to commend the country’s record for providing basic needs (education, health, water and other community and social services) as exemplary. The result of these efforts was the rise in life expectancy at birth from 35 years in the 1960s to 54 years in 1986 and improvement in the quality of many aspects of human needs among the Tanzanian population.

⁷The crisis was evident in the following economic indicators: while the inflation rate averaged only 3.5 per cent between 1965 and 1973, it rose drastically to 15.4 percent from 1973 to 1980 and to 24.9 per cent between 1980 and 1987. By 1987, the inflation rate had reached 31.2 percent. GDP growth was 4.8 per cent between 1965 and 1973, declining to 2.3 per cent 1973-1980 and dropping further to 1.7 per cent between 1980 and 1987. The performance agriculture sector, which was the mainstay of the economy declined (in GDP) from 3.1 per cent between 1965 and 1973 to 0.2 per cent from 1973 to 1980, while the manufacturing sector fell from 8.7 per cent from 1965 to 1973 to a deficit of a -3.5 per cent growth rate between 1980 and 1987, while other industrial sectors experienced a downfall in production from 7.0 percent to -2.4 percent over the same period.

⁸ In a Weberian view, the “State” represents a set of compulsory institutions of control of people and their activities within a territory. It consists of administrative, legal and coercive institutions. However, it is used in this study to represent the influence of institutions beyond the boundaries of government such as Executive Agencies, Crop Authorities, Boards and Parastatals which were part of the state during Ujamaa.

agencies and the donor community in developing countries in general and Tanzania in particular.

However, by the early 1990s, it had become clear that “*getting prices right*” alone was not helping much in promoting sustainable economic growth and reducing poverty and it perpetuated poverty and aggravated inequality and insecurity. The failure called for a new approach to development which put emphasis on addressing problems associated with the nature of the country’s initial socio-economic conditions and institutional context in which price mechanisms sought to produce the desired changes. This shifted the focus and emphasis of development strategies from “*getting prices right*” to “*getting institutions right*”⁹. Behind renewed interest and focus on institutions was the call for a special responsibility of the government in creating institutional framework that markets required in order to, not only develop, but also work effectively by promoting sustainable economic growth and reducing poverty. Since then, institutional reforms and poverty reduction became the catchwords of international and national development agencies, governments and the donor community in developing countries and Tanzania in particular.

However, by the mid-1990s, it had become clear that the reforms introduced by the SAPs were failing to raise sustainable economic growth and alleviate poverty, and had aggravated inequality and socio-economic insecurity. Consequently, the government adopted various anti-poverty initiatives, including the National Anti-poverty Strategies of 1998 and the Poverty Reduction Strategy Paper of 2000. These were adopted as new major macro-policy frameworks (Ellis & Mdoe, 2003) guiding initiatives for economic growth and poverty alleviation. The strategies were to establish an institutional order through which the government and people would construct sustainable pathways out of poverty and inequality.

Again, despite all these initiatives, institutional reforms did not, as quickly or strongly as envisioned, promote economic growth and reduce poverty, and produced mixed or disappointing outcomes. Tanzania continued to experience problems of low and unstable economic growth as well as more poverty, inequality and socio-economic insecurity (URT-PHDR: 2002, 2005 & 2007). Now, because the experience indicated that institutional reforms had been the main strategy for promoting economic growth and alleviating poverty, the question became: *Why did institutional reforms produce disappointing results or at least outcomes which were contrary to those envisioned in various documents and verbal aspirations of the international and national development agencies, the government and the donor community?*

Although, in Tanzania, poverty has received numerous analyses, a substantial body of research suggests that, the vast majority of these studies focus on the content rather than the context of poverty alleviation processes. The focus has been on: ideas, interests and struggles for resources between political leaders and bureaucrats believed to be taking place at the expense of the poor; ill-informed and unrealistic development policies and strategies (Fieldhouse, 1986; Hodd, 1988); anti-development behaviour and tendencies of the peasants and their alleged conservatism and resistance to modernity (Hyden, 1980), and

⁹ According to Goetz (1997:1) the concept “*getting institutions right*” became central to development discourses and practices in 1990s as “*getting prices right*” was in 1980s. While the later focused on changing “*supply signals*”, the former focused on understanding the politics of how institutions regulated and coordinated societies, how people’s needs were interpreted by policy makers and how resources were allocated. The purpose was to promote institutional-building, to encourage the efficient use of public resources and private investments. That is, “*getting institutions right*” for market efficiency.

weak incentive structures of the economy (Lipumba, 1995). Apart from the biased research focus, the study was also motivated partly by dissatisfaction with the widespread view that Africa is in a state of disorder and chaos and, therefore, development is impossible. For instance, Chabal and Daloz (1999) described the African predicament or the widespread development failure as a result of the political disorder and chaos that are engineered and used by the political leaders and other key actors as political instruments for personal benefit. These views are shared by Bayart, Ellis and Hibou (1999), who argued that the 1980s and 1990s' institutional and policy reforms in Africa were nothing but "a return to the heart of darkness", where the deviation from tradition and the criminalization of the state and economies are the order of the day. For Reno (2000), Africa is a continent of "shadow states", dominated by systems of personal rule with the authority, based upon the decisions and interests of an individual rather than the law.

Taken together, these scholars seem to suggest that Africa is not just a helpless victim of imperialism, but also a captive of the political and economic actors who (in seeking to maximize their return from the state of confusion, uncertainty and chaos) are conducting their business with unlimited impunity. Thus, most scholars point to the behavioural aspects, interests and struggles of the political actors while overlooking the institutional configurations that often influence those struggles. In other words, there is little focus on the character and dynamics of the historical institutional context in which these economic conditions, struggles and policy initiatives emerge and take place.

As we shall discuss in this study, Africa and Tanzania, in this case, should be seen as being in the throes of a complex process of adjustment, mediated by a mix of traditional and modern institutions that make sustainable development hard, but not impossible, to achieve. A well-informed, determined leadership could overcome the constraints to sustainable development, if they understood the dynamics of the institutional functions and arrangements.

Motivated by the disappointing results of anti-poverty initiatives and weaknesses of previous studies, this study focuses on the context and it is guided by three research questions derived from the above puzzle.

1.3 Research questions and Objectives

(a) Research questions

1. What is the nature and character of institutional reforms in Tanzania?
2. Why have those reforms failed to promote sustainable economic growth and alleviate poverty in the country?
3. How have they promoted or inhibited people's efforts against poverty?

(b) Research Objectives

1. To investigate the impact of institutional reforms on people's agency in economic development and poverty alleviation in the country.
2. To provide a historical-institutional analysis of Tanzania's socio-economic and political development associated with development and anti-poverty initiatives
3. To assess not only the nature and character of institutional reforms, but also the relevance, objectives and motives behind them in relation to the quest for sustainable development in general and poverty alleviation.

4. To create an awareness among actors in policy-making processes about the constraints and opportunities resulting from institutional reforms so that they can take them into account when planning for anti-poverty, inequality and insecurity initiatives
5. To provide reformers and policy makers with evaluative information on the outcomes of the reforms on economic development and poverty alleviation processes for immediate and future policy considerations.
6. To add to the existing scant knowledge on the historical institutional changes and dynamics and their impact on development and poverty alleviation strategies in Tanzania
7. Generally, to add to the current international poverty research initiatives on understanding as to why people are poor, what keeps them trapped in poverty and what can be done to help them, particularly in developing countries.

1.4 Significance of the Study

This study was partly inspired by the fact that very little had been researched and written about the impact of institutional reforms on poverty, inequality and socio-economic insecurity in Tanzania. Therefore, it was our hope that the study could bring new insights and understanding of the reasons for the country's disappointing performance in terms of its development in general and poverty alleviation in particular. The study was also expected to add to the knowledge and understanding about the reasons for massive poverty in developing countries, and what kept the poor trapped in poverty. Furthermore, the study acted as another test of the validity of the assumptions of historical institutionalist theory, in understanding development problems of developing countries, where it has enjoyed little currency.

1.5 The Locus of the Study

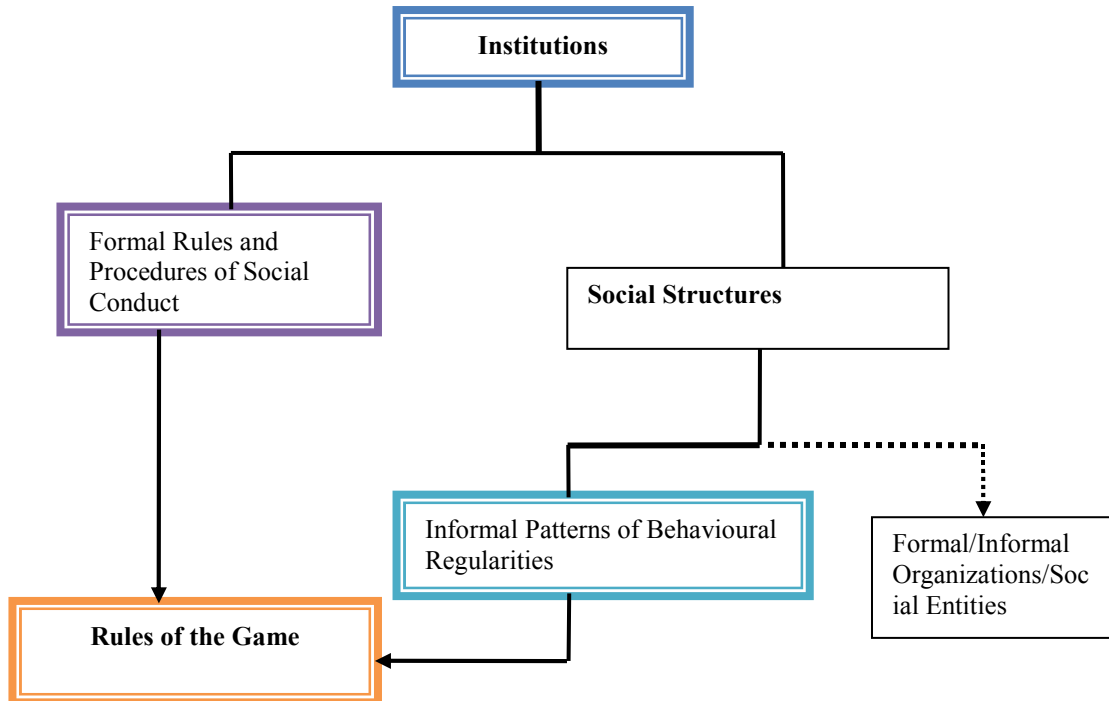
This study, built on the findings of various studies of poverty in Tanzania. But unlike other studies, it gave primacy of the impact of institutional reforms and the functional character of the resultant institutional order. It shared mainstream assumptions of historical institutionalism that: underdevelopment in general and poverty, inequality and insecurity in particular, can be comprehended by looking at their manifestations within the historically grounded institutional configurations in which they occur and struggles against them are waged. From this point of view, many aspects identified by various studies as the causes of poverty, inequality and insecurity turned out to be outcomes rather than causes and thus, their impact depended on other factors. From the outset of this study, understanding the nature, character and outcomes of institutional reforms constituted one of the promising attempts to identify the primary causes of emergence and persistence of poverty, inequality and insecurity in a developing country like Tanzania.

1.6 Definitions

Institutions: It is used to signify both formal rules and procedures of social conduct and informal patterns of behavioural regularities-*the rules of the game*. According to Easton (1990), they act like an unseen force operating on the system. Formal institutions are those established and constituted by binding laws, regulations and legal orders which prescribe what may or may not be done. Informal institutions are constituted by norms, values and accepted ways of doing things in the society and are embedded in traditional social practices and culture such as communal systems of land tenure (North, 1990). The dotted

line in Figure 1.1 implies that, the use of the term excludes social structures in the form of formal and informal organizations or social entities.

Figure 1.1: Conceptualization of Institutions



Poverty: Is used to signify both, limited access to resources and incapacity to produce other basic necessities of life. It goes beyond insufficiency of resources by taking into account, how resources are made unavailable and insufficient to a particular group due to limited accessibility caused by the functioning of an institutional order in which struggles take place. Therefore, to be poor is seen as not just having less than others, but being deprived of the means of securing more.

Socio-economic Insecurity: It reflects exposure to several forms of risk and uncertainty and a limited capacity to *cope with* adverse outcomes and to *recover from* those outcomes. It involves risk of an adverse event that reflects life-cycle contingencies, such as a spell of unemployment, a work-related accident or illness, or a disabling accident and risks resulting from mishaps of previous adverse event. Thus, socio-economic security is limited exposure to risks and uncertainty as well as the ability to cope with adverse outcomes and ability to recover from shocks (Standing, 2001, 2004, 2007). It is about security of having stable sources of income and other amenities that are basic for survival (Dasgupta, 2004:171).

Inequality: It is used to signify the differences in people's share of resources- not just income, but chances of adequate health, education, clothing, shelter, safe water-and access to institutional safeguards supposed to protect them at risk (Payne, 2006:5; Standing, 2007: 512). It is viewed as a socio-economic condition resulting from differential positions of groups in society which determines proximity to centres of resources and institutions of protection. It reflects differential sense of control and use of productive resources.

1.7 Shifts in the poverty, inequality and insecurity dialogue

Concepts and concerns regarding poverty, inequality and insecurity have evolved over time and occupied different positions in the policy discourse in the country. The exploration of the evolution of the concerns about these problems reveals that the dialogue has inspired different questions, ranging from their origin, causes and conception to the validity of the approaches used to deal with them. For example, there is a question of whether these problems were inherent in the pre-colonial traditional subsistence economy or whether they are the legacies of colonialism. How their conceptions have changed over time and what the implications of those changes are for the current poverty alleviation initiatives are further concerns. There are also questions about what the central motive of the struggle against poverty was when it was first conceived in 1961, how that motive informed the struggles against other socio-economic problems and whether it is still valid today. Other issues include: the extent to which the conception of these problems (in the current policy discourse) reflects the material condition and historical evolution of the society; and the implication of adopting institutional reforms and policies from the point of view of poverty as opposed to other, equally important, socio-economic problems. Drawing on the analysis of the findings, this study explores and responds in detail to these and other relevant questions.

1.8 The Plan of the Thesis

While the focus of the study, in terms of periodisation, was the post-ujamaa period which began around the mid eighties; it was our belief that changes during this period could not be well understood without analysis of their historical context. So, part II provides that analysis. The setting of periodisation is somehow overlapping and is used mainly for analytical purpose and to emphasize specific changes. In most cases events occurred in an overlapping pattern and it would be misleading to confine changes to specific period.

Thus, this thesis is organized into four parts. Part I is an “introduction” part consisting of three chapters: This chapter, chapter 2 and chapter 3.

Chapter 2 presents a survey of literature on three main aspects: the relationship between institutions and poverty alleviation; the shift of concerns on the role of the state and institutions; the debate on institutionalist theory; and conceptual frameworks. The scope of review does not include Tanzania because most of its literature is used in other chapters. Thus, it covers literature on the experience of other countries with special attention to developing countries and Africa in particular. It is also important to note that, while there are diverse literature on poverty and economic development in general, there is not much on the relationship between institutions and poverty alleviation in developing countries. So, only that which has addressed that aspect was reviewed.

Chapter 3 reviews how the study was conducted. It includes: the methodology and methods employed in data collection and analysis; their rationale; and fieldwork experience.

Part II is the “context” part consisting of two chapters: Chapter 4 discusses the history of Tanzania’s socio-economic, political development and the institutional evolution up to the end of Ujamaa. Its focus is not on poverty per se, but conditions which influenced socio-economic and political changes out of which the concept, concerns and struggles against poverty emerged. It also discusses the implications and ways in which those conditions provided grounds for anti-poverty initiatives discussed in chapter 5. Its belief is that, an

account of institutional transformations within a historical context is imperative because it enabled us to look at institutions as socio-historical “*artifacts*” and struggles against poverty as historical processes, rather than “pragmatic non-historical sets” of government strategies and actions.

Apart from identifying the implications of the domestic oriented institutional changes to socio-economic development and poverty alleviation, it also discusses the external institutional dimension of poverty alleviation. At the core of this section is the conviction that the influence of internal institutional order on a country’s development is important to our analysis as the influences of the external (international) institutional order. As Stanley (1954:200) argued, “whether or not a country will successfully move along a [sustainable] path to development depends on elements in its own socio-economic and political environment and on the interplay with them of the influences from international environment.” Therefore, the impact of international institutional context on Tanzania’s development and poverty alleviation cannot be discounted. Historically, the development trajectories left the international context playing a dominant role on development initiatives in the country that any analytical oversight of its influences must produce misleading conclusions. Based on the above arguments, this section focuses on the shift in the development doctrines and the change in development strategies against poverty.

In general, the chapter is divided into two sections: The first explores major changes unfolded during colonialism (1885-1961) and three decades of independence (1961-1987). It is divided into historical epochs based on the need to accentuate key institutional developments and for explanatory clarity. The colonial period covers the German rule (1885-1918) and the British rule (1919-1961) and the independence period (1961- 1987) which covers two epochs: immediate post-independence (1961-1967) and *Ujamaa* (1967-1987). The second section discusses the external institutional context of poverty alleviation. It is divided into three epochs based on dominant development doctrine and associated strategies: the Keynesian consensus (1960 and 1970); the Washington Consensus (1980s and 1990s and; the Corporate governance era of the 2000s.

Chapter 5 is concerned with the status, evolution and shifts in the conception and concerns of poverty in the country. It covers the period from independence in the early sixties to the end of *Ujamaa* in the late eighties. The aim of the chapter is to explore initiatives associated with struggles against poverty and inequality by drawing attention to concepts, dilemmas, challenges and consequences of the struggles as they unfolded within institutional reform processes. Its central belief is that, any attempt to comprehend the post-*Ujamaa* struggles against poverty must take into account these historical changes in their rhetoric and praxis and the outcomes of government and people’s reactions to them.

Part III is the “content” part consisting of four chapters. Chapter 6 discusses the mode of institutional reform and group dynamics during the transition from *Ujamaa* to Neo-liberal Capitalism. It also looks into tensions which characterize the reform process. The aim is to establish the main features of the mode of reform which provide the foundation of the neo-liberal institutional context in which current struggles against poverty take place.

Chapter 7 presents the analysis of the functioning character and impact of the Neo-liberal Capitalist order. There is a consensus among institutionalists that political struggles are mediated by the institutional setting in which they take place. The context provides the actors with resources and constraints that they must take into account when choosing between alternatives. In other words, institutions shape the goals that the social actors

pursue and structure the power relations and struggles among them, thus creating winners and losers. Because of that, understanding the functioning character of an institutional order is vital for ascertaining the reasons for the failure of poverty alleviation initiatives. This chapter focuses on the functioning character of the neo-liberal institutional order the ways in which it makes poverty alleviation initiatives defective.

Chapter 8 discusses the extent to which, institutional reforms and the character of neo-liberal institutional order have impacted on conditions of poverty, inequality and socio-economic insecurity in the country. This is done by examining the character of organization of production, the structure and pattern of economic growth, sectoral policy prioritization, regional disparities, access to productive resources, mobilization of production, and status of poverty, inequality and socio-economic insecurity.

Chapter 9 is about corruption and poverty alleviation with emphasis on how institutional reforms have created institutional breeding environment for corruption and its impact on poverty alleviation. It focuses on three aspects: corruption as an outcome and indication of reform failure; the relationship between corruption and poverty in the neo-liberal institutional order and; the ways in which corruption impact on poverty alleviation initiatives. For the most part, this chapter is confined to limited aspects of corruption which are closely relevant to the study objectives and the theoretical basis underpinning it. Its primary intension is to expose the controversies of institutional positions of the two problems and the dilemma of simultaneous struggles against them. The central argument is that, the nature, dynamics and magnitude of corruption are a function of the nature of reforms and the functioning character of the resultant institutional order. Thus, understanding them is essential for any analysis of how corruption and poverty interact in a developing country like Tanzania and its implications for development and struggles against poverty.

Part IV consists of Chapter 10. This final chapter presents a summary of the findings, discusses the contributions of the thesis, makes an evaluation of methodology used and finally provides a conclusion. It consists of five sections: (1) summary of the findings; (2) implications of the findings for practice; (3) theoretical contributions; (4) methodological evaluation; and (5) conclusion.

Chapter 2

Literature Review

2.1 Institutions, Poverty and Inequality

There is a large literature on the relationship between institutions and aspects of poverty and inequality at both the conceptual/theoretical and empirical levels and in a number of disciplines. The relationship between institutions, poverty and inequality have been approached differently by different authors depending on (among other things) their intellectual traditions and discipline orientations.

2.1.1 General Empirical Experience

From the economic perspective, poverty and inequality are considered to be a result of the nature and character of the relationship between the production and distribution of scarce resources featured by incapacity to produce adequately basic necessities of life. This idea is well captured by Hartwell and others when they argued that, “economics is [concerned about] resources in relation to mankind’s wants and with the problem of choice between wants and allocation of scarce resources to satisfy those wants. They further argue that “poverty of the past, from the earliest beginnings of human society up till very recently, was due to lack of power to produce adequately the necessities of life” (Hartwell, R.M et al ,1972:3&6). However, relations in the production process which negatively affected production capacity did not happen in a vacuum, but were mediated by a particular institutional configuration. In other words, production relations were influenced by the socio-economic and political structural or institutional setting in which they took place. As Novak observed: “despite the popular mythology, poverty has not always been with us...poverty as we know it, is a much more recent and historically specific phenomenon...It occurred at a certain point in history, and is tied to a particular form of economic and social organization” (Novak, 1998:3)

As political-related problems, poverty and inequality are defined in terms of power relations, which presuppose the existence of at least two groups: the powerful (rich or socio-politically advantaged) and the powerless (socio-politically disadvantaged). The differences are defined in terms of their power to force the economic, political and social system to respond to their needs; hence Heatley’s quip: “poor means powerless means poor” (Heatley, 1985). The relationship between the groups starts with a political construction of the concept of “poverty” itself and “the poor” as a politically defined category based on their institutional positions in the polity. Furthermore, the construction and the consequent image that a government has of the poor influences the politics, policies and institutional oriented actions with regard to poverty and inequality issues (Becker, 1997:2&6).

But the politics, policies, actions and inaction of a government do not originate or operate in a vacuum. The institutional setting influences attitudes towards poverty, defines access to the key sources of power, and generally sets the limits in which legitimate politics can act. As Barrow observed: “...the organized control, possessions, and ownership of key resources (wealth, status, force, and knowledge) [is] the basis of exercising power in any society”. Institutions, he insists, organize power in a society by vesting the individuals occupying certain positions with the authority to make decisions about how to deploy the

key resources mobilized by that institution (Barrow, 1993: 13). Therefore, just as the poor are defined and positioned differently in different institutional settings, so are other groups.

Observations from political related literature share similar concerns, with arguments ranging from the primacy of institutional influences on political processes and outcomes. “Institutions”, says Thomas Dye “may be so structured as to facilitate certain policy outcomes”. They may give advantage to certain interests in society and withhold advantages from others. Certain individuals and groups may enjoy greater access to resources and power under one set of institutional characteristics than under another. Immergut (1998:8) has argued that “preferences or interests in a political system are advanced through institutions”. Institutional configurations may privilege particular interests at the expense of others. For Regini (1998:8-9) the institutional context provides actors with resources and constraints that they must necessarily take into account when choosing among alternatives.

From a sociological perspective, poverty and inequality are conceived of as social ills resulting from people’s deprivation in terms of living conditions and amenities (including the social resources necessary for meeting the basic material and non-material requirements) which are customary and widely accepted and approved as the standard living requirements in the societies to which they belong (Becker, 1997:24). In practice, deprivation entails (among other things) limited access to welfare needs which may result in social inequality, insecurity and vulnerability. From this perspective, deprivation, limited access to social welfare, social inequality and insecurity and vulnerability are not natural social conditions, but rather socially constructed through a particular social welfare institutional order. For example, it is argued that poverty is not simply a lack of or insufficient resources to meet basic physical requirements (Rowntree 1901, quoted in Becker, 1997:2&6) but about how resources are made unavailable and insufficient to a particular group due to the limited supply or accessibility caused by the functioning of an institutional order in which struggles for resources take place. Therefore, to be poor is not just to have less than others, but to be deprived of the means of securing the requirement of life (Novak, 1998:3).

2.1.2 Developing Countries’ Experience

In the early 1970s, Charles Elliott conducted a study on the Patterns of Poverty in developing countries, including Tanzania. His main focus was on the “Causes of Social and Economic Stratifications”. According to him, while the basic configurations of countries’ poverty were known, there were no answers to the question “*why do people continue to be poor?*” His main assumption was that “poverty or impoverishment was the result of a causal process of which enrichment was a major but not exclusive component”. He also believed that the fundamental cause of poverty was the ability of the privileged to protect and extend their privileges, a condition which he associated with the nature of the institutional forces that biased the distribution of social products against the poorest (Elliott, 1975)

One of his key findings was that the institutional forces enabled some groups to manipulate the policy processes in order to limit the risk of resource loss and ensure continuous resource accumulation. He found that much of the anti-poverty planning in the 1970s were still based on the assumption of centralized planning, dictated by generalized international values which emphasized not the redistribution of existing assets and the restructuring of the relationships within which those assets were used, but on “redistribution from growth”.

These processes in turn left the mechanisms of the inter-group competition fundamentally unchanged. Therefore, Elliott's study indicated that the major cause of impoverishment in developing countries was institutional bias against resource (re)distribution to the poorest.

Elliott's findings are reflected in Bates' (1995:37-38) argument that, in order to understand the nature and character of the economies of developing countries or "the politics and economics of growth", the role of both economic and non-economic institutions (particularly the wide variety of social institutional forms) within which development initiatives take place is imperative. She provided two reasons as justifications for the primacy of institutional analysis: first, it offers ways of understanding the economic significance of the features of developing societies and cultures that market-based reasoning might misunderstand or ignore. Second, exploration of the political and economic institutional configurations helps in understanding group dynamics, power relations and resource flow and control. Generally, she believed that the restructuring of the political institutions (specifically, reorganization of the structure of government) and economic institutions do promote or inhibit the capacity of the government, groups and individual persons in their struggle for material production by influencing their access to and control over the key resources.

The renewed interest in institutions coincided with the shift of concerns, among international agencies and Western governments, about the role of state in promoting growth and reducing poverty in developing countries, particularly in Africa. The origin of the concern was the setbacks and failures in structural adjustment programmes in the 1980s and the normative and functional ideals of politics of neo-liberal thinking which was at the heart of the World Bank strategies (Leftwich, 1993: 606; Hyden and Karlstrom, 1993:41-42; Campbell, 2001:157). Initially, the aim of adjustment was to shatter the dominant post-war state-led development approach and overcome the problems of economic stagnation by promoting open and competitive market economies, supervised by minimal states. Adjustment involved profound change in the use, production and distribution of resources, giving rise to both winners and losers. Losers often included bureaucrats, public sector workers, party officials, farmers and manufacturers, for they all had something to fear from reduction in the size of the public service, diminution of the power of the party-state, more competition, withdrawal of subsidies and free trade. But the burden of change fell more on the poor who lost free services and experienced steep increases in basic food and consumer prices as well as medical and education costs. These hardships led to protests in many countries which called for review of the centrality of political factors and the role of the state in adjustment process. It became clear that the ability to design and implement adjustment programmes was largely a consequence of political commitment, capacity and skill, as well as bureaucratic competence, independence and probity (Leftwich, 1993: 607).

These concerns were backed by strong normative and functionalist ideals of politics and state institutions which were the central themes in the 11 points of the Washington Consensus (see Chapter 4). In normative terms the Washington Consensus celebrated individual economic and political rights and minimal state as representing the essence of good society. So, all forms of constraints on the rights and liberties of individuals, interfere with freedom of choice, distort the free play of markets and hence harm economic development (Leftwich, 1993: 608). The argument was that, democratic politics is necessary for a thriving free market economy and an obese state, with a large stake in economic life, is in practice incompatible with democracy. According to the World Bank (1997:36), while protection of rights and freedoms of individual required democratic, strong and capable state, governments in developing countries had weak capabilities and

engaged in activities that were not the proper role of the state. Moreover, the legal and regulatory frameworks had become a bottleneck to development of private sector. Thus, both poor records of growth and failures in adjustment programmes became associated with political factors such as authoritarian rule or deficient democratic practice arising from excessive state or political involvement in economy and society. Likewise, the reluctance or inability of regimes to institute political liberalisation was regarded as a consequence of excessive concentration of economic and political power in the hands of state personnel, something which democratic reform would reduce and redistribute. It followed that, democratisation in the context of a market economy would compel governments to be accountable, less corrupt and efficient in promoting growth, delivery of public goods and reduction of poverty (Leftwich, 1993: 609; Hamdok, 2003:15)

This culminated in the adoption of good governance agenda by the World Bank in 1989, when it redefined Africa's development problem as "a crisis of governance" (World Bank, 1989). Good governance defined as "the exercise of political power to manage a nation's affairs" entailed three distinct aspects: the form of political regime, (parliamentary or presidential, military or civilian, and authoritarian or democratic), the processes by which authority is exercised in the management of a country's resources, and the capacity of governments to design, formulate and implement policies, and discharge functions (World Bank, 1992:58; Campbell, 2001:157). The World Bank believed that, even in societies that are highly market-oriented, only governments could provide two sorts of public goods: rules to make markets work efficiently and corrective interventions where there are market failures (World Bank, 1992:6).

Thus, from the early 1990s, developing countries were gradually moved into revived emphasis on institutional reforms as a way of promoting good governance which became an important focus and key ingredient in development efforts for governments, international agencies and the donor countries (Hyden and Karlstrom, 1993:55, Mugerwa, 2003:1; Hamdok, 2003:15).

2.2 Theoretical and Conceptual Landscape

The rediscovery of institutions in the late 1970s (in what has come to be known as the era of *New Institutionalism*) has rejuvenated the analytical primacy of institutions and opened up a new research agenda in comparative politics and comparative political economy. This renewed attention to institutional variables in different fields of social sciences (particularly economics, political science and sociology) has been expressed through slogans such as "*bringing the state back in*" (Evans et al. 1985), "*rediscovering institutions*" (March & Olsen 1989), and "*structuring politics*" (Thelen & Steinmo, 1992). This has in turn led to an explosion of literature on the impact of institutions and institutional changes on socio-economic development across social sciences to the extent of casting, to use Hall & Taylor's words, "considerable confusion about what the new institutionalism is, how it differs from other approaches, and what sort of promise or problems it displays" (1996:5).

Against that background, an object here is to identify the basics of new institutionalism from which this study was constructed. It narrows the review of institutional literature to those aspects of significance in understanding the subject matter of our research: the impact of institutional reforms on poverty and inequality. Focusing solely on few aspects of institutional variables within a complex theoretical and conceptual enterprise like the new institutionalism has costs and benefits. A risk is the possibility of obscuring "what

Mulé called “the multiplicity of controversies and concerns” (1999:146) advanced within each strand of new institutionalism. The main advantage however is that, a narrow but careful review of new institutionalism, allow us to concentrate on the core questions and emphasis that unify the theoretical base of institutional approach: the need for understanding institutions that shape political strategies; the ways in which institutions structure relations of power among contending groups in society; and the focus on the process of politics and policy-making within a given (historically founded) institutional parameter (Thelen and Steinmo, 1992:7).

2.2.1 The Genealogy and Taxonomy of New Institutionalism

New institutionalists drew inspirations and insights from older traditions in economics, political science and sociology. But renewed attention to institutional variables grew out of a critique of the behavioural traditions of comparative politics prominent in the 1950s and 1960s. In behaviouralism, the properties and behaviour of individuals were the main explanatory variables of comparative politics. Individuals constituted the fundamental building blocks as political results were seen as the mere aggregation of individual actions. Behaviouralism for its part may be seen as a reaction to the institutional traditions prevalent in social sciences before 1950s with its focus on formal institutions (Thelen and Steinmo, 1992:3; Lowndes, 1996: 182-183; Hall and Taylor, 1996: 5-6; Blom-Hansen, 1997: 674; Clemens & Cook, 1999:441; Lecours, 2005:1)

Old-institutionalism consisted mainly, though not exclusively, of detailed configurative studies of formal administrative, legal and political structures. Its approach to comparative political analysis largely entailed juxtaposing descriptions of institutional configurations in different countries or different periods within a country. Institutions were perceived as formal government institutions, and analysis was directed towards their formal attributes. Old institutionalism did not encourage development of intermediate categories and concepts that would facilitate comparative research and advance explanatory theory (Thelen and Steinmo, 1992:3). It was this weak explanatory power that led to behavioural revolution and take over in political science, economics and sociology in the 1950s and 1960s.

Notwithstanding its attention to other important and previously neglected aspects of political life, Thelen and Steinmo (1992:1) argued that, behaviourists often obscured the enduring socio-economic and political structures that influence behaviour in distinctive ways in different national contexts. It was this weakness which spawned three interrelated strands of new-institutionalism: Sociological institutionalism, Rational Choice Institutionalism (RCI) and Historical Institutionalism (HI) (Thelen and Steinmo, 1992:6-9; Hall and Taylor, 1996: 5; Lecours, 2005:6-7). As theoretical and conceptual frameworks for research, these strands tried to provide answers to four questions: What are institutions? What is their impact on action? How institutions are formed and transformed? And, what methodological and epistemological positions best suit institutional analysis? These questions will guide our discussions in the subsequent sections.

(a) Sociological Institutionalism

The concern of sociological institutionalism is the role of culturally legitimate models of organization and action (Clemens and Cook, 1999:442; Lowndes, 1996: 184). Based on the choice-within-constraint framework, sociological institutionalism (in contrast to the rational choice institutionalism) emphasizes analysis that explores interrelationships among

formal rules, informal norms, social networks, and purposive action. Institutions are defined as constraining, constitutive, regulative, normative, or cognitive social structures exerting patterned effects on the actions of individuals and organizations (Clemens and Cook, 1999:443-445). Sociological institutionalists argue that many of the forms and procedures used by modern organizations are not adopted simply because they are most efficient for rational actions but as culturally specific practices devised by societies and assimilated into organizations. Under Sociological institutional analysis, the relationship between institutions and action is approached by associating institutions with roles to which prescriptive norms of behaviour are attached. In this view, individuals who have been socialized into particular institutional roles internalize the norms associated with these roles, and in this way institutions are said to affect behaviour- the normative dimension of institutional impact.

According to this perspective, institutions influence behaviour not simply by specifying what one should do but also by specifying what one can imagine oneself doing in a given context. Since institutions provide the terms through which meaning is assigned in social life, then they do not simply affect the strategic calculations of individuals, as rational choice institutionalists contend, but also, their most basic preferences and identity.

(b) Rational Choice Institutionalism (RCI)

Rational Choice Institutionalists criticise behaviouralists for their focus on characteristics, attitudes, and behaviours of the individuals and groups themselves to explain political outcomes. They also criticize sociological institutionalism for being too broad and defining ideas and behaviour as institutions. According to RCI, behaviouralists often miss crucial elements of *the playing field* and thus did not provide answers to the prior questions of why these political behaviours, attitudes and distribution of resources among contending groups themselves differed from one country to another or from period to another within the same country. They argue, for example, that, looking at the characteristics and preferences of pressure groups themselves these theories could not explain as to why interest groups with similar organisational characteristics and similar preferences could not always influence policy in the same way or at the same extent in different national contexts .

For RCI, to explain these differences required more explicit attention to the *institutional landscape* in which interest groups sought to influence (Thelen and Steinmo, 1992:5). The RCI is premised on the assumptions that political actors are *homo-economicus* (rational income maximizers). Because they are rational, political actors will always act to maximize their self-interest. In this sense preferences are *treated as exogenous to institutions*. Institutions are only important as features of *a strategic context imposing constraints on self-interested behaviour*. Political actors make their preferences out of their free will and choices based on perfect knowledge on all existing alternatives and their associated consequences if preferred. In other words, action of a political actor is based on “a logic of consequentiality” (Thelen and Steinmo, 1992:7-9; Ostrom, 1991:238; Lecours, 2005:11).

Rational choice institutionalism is criticised by both sociological and historical interpretive institutionalism as *ahistorical* and *overabstract*, by taking institutional contexts as given, fixed and exogenous; by assuming that individuals are always income-maximizers and by claiming that institutions can be analysed *within* the mainstream equilibrium-oriented neo-classical approach of economics (Lowndes, 1996: 183-184). The fundamental hypothesis of institutional change according to rational choice institutionalism is that institutions exist

where the benefits exceed the costs involved in creating and maintaining them (Lowndes, 1996: 184). Put most simply, the approach sees the main purpose and effect of institutions as economizing on transaction costs (Khan, 1995:73; Furubotn and Richter, 2005: 47-77).

Table 2.1: The Genealogy and Taxonomy of New Institutionalism

Years	Theoretical Perspective	Main Focus	Weakness/Strength
Before 1950s	Old Institutionalism	Normative configuration of structures Description of different formal institutional configurations	No explanatory institutional accounts less inclination to theoretical construction
1950s-early 1970s	Behaviouralism	Informal distribution of power, Ideas , attitudes and Behaviours	Obscure structures that mould behaviour advocated for grand theorizing
From Late 1970s	New Institutionalism	The general concern is the question of how institutions shape political strategies and how do they influence political outcomes	
	Sol-Institutionalism	Normative & Ideational institutional impact	Inductive, Particularistic, Qualitative
	RC-Institutionalism	Institutions are important as features of a strategic context, imposing constraints on Rational self-interested behaviour	Deductive, Universalistic, Quantitative ahistorical, overabstract
	H-Institutionalism	Institutions shape goals and strategies political actors pursue Political actors are seen as rule-following “ <i>sartificers</i> ” with limited knowledge on their goals, needs, strategies and context	Inductive, Particularistic, Qualitative

(c) Historical Institutionalism (HI)

The focus of HII are the immediate institutions that shape political strategies; the ways in which institutions structure relations of power among contending groups in society and the process of politics and policy-making within historically founded institutional parameters. The central theoretical argument of new historical institutionalism is that, institutions shape actions and, therefore, theorists must remember that actions do not occur in a non-historical context or institutional vacuum (Lecours, 2005:8). It also rejects any attempt to depict institutions as historically neutral *social artifacts* adjusting mechanically to social changes or purely instruments that can readily be manipulated by the actors to meet their interests.¹⁰

Historical Institutionalists do not ignore the role of ideas in comparative political analysis. They view ideas in terms of norms and values of the material institutions from which they emanate (Lecours 2005:7). They are also not against the Rational Choice understanding of institutions. But they argue against treating institutions as mere “strategic contexts of rational political actors”. The core characteristics of Historical Institutionalism is emphasis on the immediate institutions that shape political strategies; the ways institutions structure

¹⁰According to Historical institutionalists, those perspectives ignore the possibility that institutions themselves can have effects on the socio-economic and political outcomes. They advance the idea that institutions represent an autonomous force in socio-economic and political struggles and that their weight is felt in both actions and outcomes, suggesting that socio-economic and political analyses are best served by taking institutions as the starting point or, methodologically speaking, institutions should be used as an independent variable or at least an intervening variables.

relations of power among contending groups and; the focus on the process of politics and policy-making within a given institutional parameters.

For HII the idea that institutions provide the context in which political actors define their strategies and pursue their interests is unproblematic; it is a key premise in their analysis. But they go beyond seeing institutions only as strategic context of rational actors. Institutional factors shape the goals/objectives and strategies of political actors as well as the distribution of power among them. Political actors are seen as *homo-sociologicus* (*rule following satisficers*) with limited knowledge on their needs, interests, strategies and context. Institutional context may influence political actors to the extent of deviating from self-interest in favour of collective interests. In this sense preferences of political actors are endogenous to institutional setting and actors do not always make their choice out of their free will. They always make constructed preferences as they are dictated by existing institutional order. Action of a political actor is based on “*a logic of appropriateness*” and institutions are defined as collections of interrelated rules and routines that define appropriate action in terms of relations between roles and situations (Thelen and Steinmo, 1992:2, 8; Ostrom, 1991:238; Lecours, 2005:11).

2.2.2 Agency and Institutional Change

The central claim of new institutionalism is that institutions shape actions and, therefore, theorizing must take into account the fact that actions do not occur in an institutional vacuum (Lecours, 2005:8). They advance the idea that institutions represent an autonomous force in the socio-economic and political struggles that is best understood by taking institutions as the starting point for analysis. By defining and treating institutions as relatively enduring features of political and social life (rules, norms and procedures) that structure behaviour and that cannot be changed easily or instantaneously (Mahoney and Thelen, 2010:4), the three institutional approaches are inclined to focus on explaining continuity rather than change. As a result, they find themselves in an everlasting debate in the field of social sciences concerning the relationship between “structure and agency” and the question of explaining “institutional change”. Despite this common tendency regarding the way in which they treat institutions, the three approaches do vary with regard to how they conceive institutions (Table 2.2), which in turn influences the way in which they theorize about agency and institutional change.

Table 2.2 Conception of Institutions by the Three Institutional Approaches

Approach	Conception of Institutions
Sociological Institutionalism (SI)	<ul style="list-style-type: none"> ➤ Non codified, informal conventions and collective scripts that regulate human behaviour, ➤ They have self-reproductive properties and resistance to change, ➤ They are tied to codes of appropriateness and reproduction occurs as the actors are socialized and learn to follow them, ➤ They are taken for granted by the actors,
Rational Choice Institutionalism (RCI)	<ul style="list-style-type: none"> ➤ They are coordinating mechanisms that sustain a particular equilibrium, and also self-enforcing mechanisms
Historical Institutionalism (HI)	<ul style="list-style-type: none"> ➤ It acknowledges the cultural component of the institutions of SI, and the coordinating functions advanced by the RCI, ➤ It views them as political legacies of concrete historical struggles, ➤ It embraces a power-political view of institutions that emphasizes their distributional effects, ➤ They explain institutional persistence in terms of increasing the returns to power,

Source: Extracted from Mahoney and Thelen (2010:5-7)

According to Lecours (2005:8-9) the question of how structures affect agency requires an analysis of three aspects of structural impact on agency: the mechanisms through which institutions shape action; the extent of the weight of institutions on agency, and the depth of influence on socio-economic and political process (that is the weight of institutions felt only on strategies or /and preferences). The answer to the above question and its associated analytical aspects are approached differently by different strands of new institutionalism as presented in Table 2.3. In emphasizing the importance of institutions the new institutionalists, particularly from historical and sociological strand, reject any attempt to depict institutions as neutral *artifacts* adjusting mechanically to social changes or as just instruments that can readily be manipulated by actors to meet their interests. According to them, those perspectives ignore the possibility that institutions themselves can have effects on socio-economic and political outcomes.

Table 2.3: How Structures affect Agency

No.	Questions	Approach to Answers		
		Sociological Institutionalism	Rational Choice Institutionalism	Historical Institutionalism
1.	What are the mechanisms through which institutions shape action?	Path Dependency approach	Constraints & Opportunities- the calculus approach	-Path -dependency and incremental change approach: causal influence of preceding institutional order and the entrenchments of certain institutional arrangements which obstruct an easy reversal of the initial institutional choice. -Endogenously based gradual institutional change
2.	What is the extent of the weight of institutions on agency?	Structuralist approach	Relatively Less - Agents-driven-process approach, but with agents manoeuvring	Path-dependency and incremental change approach
3.	What is the depth of institutional influence on socio-economic and political process?	Existential & Relational influence approach	Constraint on Strategy approach	Constraints, preferences & outcomes

Source: Extracted from the discussions on New Institutionalism in Lecours, (2005:9-11) see also Thelen and Steinmo(1992:6-12)

Institutions, according to rational choice institutionalists, may constrain action, define opportunity and facilitate patterns of interaction (Clemens and Cook, 1999:447). In this formulation, desires and interests are conceptually distinct from institutions. This approach suggests that institutions persist because they embody something like *equilibrium*. That is to say, individuals adhere to institutions because deviation will make them worse off than will adherence (Hall and Taylor, 1996:8). As indicated in Table 2.3, rational choice institutionalists suggest that the weight of institutions is felt on outcomes in so far as it affects individual and collective decisions by offering opportunities for action and imposing constraints. In this context, the importance of institutions stems from their mediating effect on the calculations of rational actors under what Lecours called, “institutional incentive or a choice-within-constraints approach”(2005:11). Concerning the extent of the weight and depth of institutions on agency, rational choice institutionalists argue that because socio-economic and political processes are driven by actors; institutions

represent a context for action rather than autonomous force per se and interests and preferences of actors are formed independent of institutional environment, then there is less institutional influence on agency and the depth of the weight is felt only on strategies.

Historical institutionalists reject the view of the rational actor on which the calculus approach is premised. According to them, actors cannot be assumed to have a fixed (and immutable) preference set, to be blessed with extensive (often perfect) information and foresight and to be self-interested utility maximizers (Hay and Wincott, 1998: 954). They emphasize the idea that once institutions are formed, they take on a life of their own and drive socio-economic and political processes. Because institutions have a logic of their own, they argue, their interaction and development result in consequences unplanned for and unforeseen by actors. Analytically, the focus is not only on institutions but also, and probably more important, on contingency and unpredictability of the impacts of institutional changes (Lecours, 2005:9). The “cultural approach” adopted by sociological institutionalism stresses that institutions provide moral or cognitive templates for interpretation and action (Hall & Taylor, 1996:8; Mahoney and Thelen, 2010:5). Institutions constitute the environment in which actors define their preferences and strategies and interact in their daily struggles. Actors are socialized to specific institutional functioning to the extent that complication to these institutions are taken-for-granted when actors contemplate about how best to organize, and towards what ends. Therefore, according to them, institutions express norms of decision making and behaviour providing logic of appropriateness.

So, in contradistinction to the “calculus argument” of rational institutionalism, both sociological and historical institutionalists argue that, socio-economic and political processes are not always driven by actors and in many circumstances the autonomy of actors may be severely limited by the logic of institutional dynamics. Institutions, they emphasize, affect not only strategies and interests, but also patterns of relationships between actors, preferences, objectives, identities, roles, and indeed the very existence of actors (Lecours (2005:11).

As noted, despite their diverse ways of approaching the question of interaction between structures and agency, new institutionalists seem to share one common problem: a focus on explaining institutional continuity or institutional dynamism rather than change (Thelen and Steinmo, 1992:15-16; Lecours, 2005:11; Mahoney and Thelen, 2010:4)). There is also a struggle against falling victim of “strictly institutional determinism” and analytically reducing institutions to a state of “epiphenomenal”-being treated as subject rather than force of change (Thelen and Steinmo, 1992:14-15). The aim of a focus on institutional dynamism is to not only look at how institutions mediate and filter political struggles but also how the impact is mediated by the broader socio-economic and political context (ibid. p.16).

2.2.3 Models of Institutional Dynamism (MID)

To avoid the tendency toward “static” institutional analysis (*institutional determinism*) and reducing the explanatory power of institutions (*institutional epiphenomenalism*) in explaining agency and institutional change, two models of institutional dynamism have been adopted: the Punctuated Equilibrium Model (PEM) and the Dynamic Constraints Model (DCM).

(a) The Punctuated Equilibrium Model (PEM)

The model is based on the argument that “institutions” are characterized by long period of stability, periodically “punctuated” by crises that bring about relatively abrupt institutional change after which institutional stasis again sets in. The main source of institutional dynamism is institutional crises emanating from changes in the external environment (exogenous factors). In this formulation, institutions are stable until disrupted by some force exogenous to the institutional system (Clemens & Cook 1999:447). These forces lead to the breakdown of old institutions, precipitating intensive socio-economic and political conflicts over the nature and shape of new institutional arrangements. As a result, actors are forced to adjust their strategies to accommodate changes in the institutions. According to PEM, socio-economic and political strategies matter only during moments of institutional breakdown (due to increased intensity of struggle) and institutional breakdown is the only source of institutional change (Thelen and Steinmo, 1992:15).

For many institutionalists, the arguments advanced by the PEM are fundamental as they suggest an elegant and powerful theory of institutional change that emphasizes the “stickiness” of historically evolved institutional arrangements and rejection of the idea that institutions simply respond to changes in the balance of power in society around them. However, by dividing historical moments of institutional change into “stable” and “unstable” periods, the punctuated equilibrium metaphor seems to suggest that institutional arrangements help to explain policy outcomes only during institutional stability and, to borrow Thelen and Steinmo’s words, “institutions explains everything until they explain nothing”(1992:15). That is, institutions explain political outcomes in period of stability only and when they breakdown, they become subject to socio-economic conflicts that such breakdown unleashes. Put differently, at the moment of institutional breakdown, the logic of the argument is reversed from “institutions-shape-politics” to “politics-shape-institutions”. Because of that anomaly, some institutionalists argue that conceiving of the relationship in these ways obscures the dynamic interaction of political strategies and institutional constraints. Therefore a more dynamic model to capture the interplay between institutions and politics is required.

(b) The Dynamic Constraints Model (DCM)

According to this model, institutional dynamism is caused more by piecemeal change resulting from specific political battles or ongoing strategic maneuvering within institutional constraints. The DCM emphasizes that institutional breakdown is not the only source of institutional change and that it is not just in the moments of institutional breakdown that strategies matter. Strategic maneuvering by political actors and conflict among them can influence the institutional parameters within which their interactions occur. The focus is more on endogenous factors of political change and on maneuvering within institutions in response to external and internal events. It acknowledges the importance of external pressure, but political actors respond to that by maneuvering and exploiting existing opportunities within existing institutions without necessarily creating new institutions. The emphasis is that, institutional change is determined by the character of prior arrangements and by their internal contradictions (Thelen and Steinmo, 1992:17).

This model has been advanced by Mahoney and Thelen (2010) in what they have called “*A Theory of Gradual Institutional Change (GIC)*”, growing out of literature on path-dependency. According to this theory, the features of the political context and the properties of the institutions themselves are crucial factors in explaining institutional

change. Once created, it is argued, institutions often change in subtle, gradual ways, over time and, although less drastic than abrupt, wholesale transformations, these slow, piecemeal changes can be equally consequential for patterning human behaviour and for shaping substantive political outcomes (Mahoney and Thelen, 2010:1). According to them, most scholars point to the exogenous shocks that bring about radical institutional reconfigurations while overlooking shifts based on endogenous developments that often unfold incrementally. Gradual and incrementally occurring changes, they insist, are more common phenomena than exogenously generated radical institutional shifts. This indicates that institutions normally evolve in more incremental ways (Mahoney and Thelen, 2010:3).

In order to provide a general model of institutional change that can comprehend both the exogenous and endogenous sources of change, Mahoney and Thelen suggest a conception, common in historical institutionalism, that views institutions as distributional instruments that are laden with power implications (p. 2010:7). According to this view, institutions are fraught with tension because they inevitably raise resource considerations and invariably have distributional consequences. Because institutions (formal or informal) pattern action and have unequal implications for resources allocation, actors with different endowments of resources are normally motivated to pursue the creation of and influence different kinds of institutions. In this way, the institutional arrangements should be seen as characterised by both relatively durable and dynamic tendencies which make the institutions vulnerable to shifts. Thus, change and stability are mutually linked. Since institutional stability and change rests not just on the accumulation but also on the ongoing mobilization of resources, one important source of change is shifts in the balance of power among groups due to changes in the contextual conditions that reshuffle the power relations (Mahoney and Thelen, 2010:9).

In general, therefore, this theory emphasizes the interaction between political context and the properties of the institutions themselves in explaining institutional change. It also seeks to underline the importance of understanding the different types of change agents and the associated strategies that are likely to flourish in a particular institutional context. One of its central arguments is that institutional change occurs when problems of rule interpretation and enforcement open up space for the actors to implement the existing rules in new ways.

2.2.4 The GIC and Historical Institutional Analysis

The theory of Gradual Institutional Change provides key aspects of institutional analysis which are inherently core to historical institutionalism: focus on constraints, dynamism, context, properties of institutions, strategies of agents, and incremental change. According to Hall (2010:205), approaches associated with historical institutionalism are more attentive to problems of institutional change because they offer correctives to the dualist view that separates periods of institutional stability and change. By so doing, they provide an opportunity to view changes as continuous, and transformation as a product of incremental adjustment. By being sensitive to the power relations associated with institutional change, it has more to offer than other approaches in explaining both how institutions structure the behaviour of the actors as well as the potential conditions for change emanating from the socio-economic and political context. Thus, through its power-distributional approach, historical institutionalism provides a basic motor for change.

The focus on these issues helps researchers to answer about four questions:

First, what are the sources of policy change under stable institutional arrangements? In other words, how can a researcher explain policy change if the institutions remain relatively stable? The idea here is that institutions do not operate in a vacuum (although some institutionalists insist on institutional stickiness regardless of changes in the context in which they exist). Institutions may be resistant to change, but their impact on the political outcomes can change in subtle ways in response to shifts in the socio-economic or political context (Thelen and Steinmo, 1992:20).

Second, how and under what conditions do institutions become the object of change? This focuses on the issue of the internal character and contradictions within the institutions themselves. Sometimes, institutions become the object of contention, and change may result from deliberate strategies to win long-term political advantages. According to Mahoney and Thelen (2010:4), institutional change occurs when problems of rule interpretation and enforcement open up space for actors to implement the existing rules in new ways. In other instances, gradual evolution may emerge as the unintended consequence of political battles fought over other issues (Thelen and Steinmo, 1992:22).

Third, how does the political context influence both the internal conditions of institutions and the struggles of the actors? This seeks to explore the dynamic interactions between the political context and the properties of institutions and the ways in which the interplay between the two affects the political struggles and outcomes.

Last, how can path-dependency be employed in a more dynamic ways to reflect the incremental institutional changes resulting from both endogenous and exogenous forces and account for the formation and long-term reproduction of a given historical institutional pattern (Mahoney, 2000:508)?

Methodologically, therefore, historical institutionalism conceptualizes the impact of institutions in terms of a relatively path-dependency and incremental change which employs “the inductive techniques of periodization” with an emphasis on four specific strategies: first, the institutional origins strategy (here, comparison is made between the periods before and after the adoption of an institution); second, context analysis strategy (the focus is on how the context influence the properties of the institutions and the struggles of the actors); third, endogenous and exogenous factor analysis (which involves comparing the periods before and after the occurrence of both internal and external forces responsible for institutional change); and, lastly, the change agents’ strategy (which examines the continuous struggles of the political agents in influencing institutional change).

2.3 Historical Institutional Oriented Conceptual Frameworks

Modern institutions in Tanzania were developed in line with the customary institutions as part of the state and economic formation. This was influenced by the desire to develop a dual order of both Western and African institutions, left to co-exist as independent frameworks for social action. So, understanding development in the country required one to pay special attention to the dynamics of the evolution of the state and the dual institutional order.

While it is acknowledged that historical institutionalism provides an alternative explanation of the nature of social actions by injecting a historical institutional dimension into the analysis, its application in developing countries and Tanzania in particular remains limited. A key challenge is how its methodological propositions, which were developed based on the experiences of Western society, can help to explain the nature and dynamics of institutional change in developing countries. The application of historical institutional methodology, therefore, calls attention to the contextual specificity of the societies in which it is employed. In the Tanzanian case, capturing the dynamics of the context in which modern and customary institutions co-exist as independent institutional order(s) needed a conceptual framework grounded in historical institutional theory but which reflected this contextual peculiarity.

In an attempt to find out how institutional theory and methodology can be translated into fieldwork guide we identified three conceptual frameworks¹¹ founded on historical institutional analysis of African context: Khan's (1995) "*Weak State Failure Model (WSF)*"; Elliott's (1975) "*Goldfish Bowls Whimsical Analogy (GBWA)*" and; Beetham's (1994) "*Mode of Transition to Democracy Thesis (MTDT)*".

(a) Weak State Failure Model (WSF)

According to Khan, problems of development in developing countries can be understood through two variant of state failure: The first is associated with the performance of the existing set of institutions which he called a *Structural Failure (SF)*, we called it—an *Institutional Performance Failure (IPF)*. The second is related to the efficiency of the process through which institutions are changed which he called the *Transition Failure (TF)* and we called it, *the Mode of Institutional Reform Failure (MIRF)*.

According to him, institutional performance failure (IPF) refers to the performance failure of the existing set of institutions to maximize the level of benefits for the society. IPF occurs when a particular institutional order results in lower net benefits for society compared to an alternative one. For example, new institutional economists use transaction costs and rent-seeking analysis to compare net benefit under alternative sets of institutions to analyze the possibility and magnitude of institutional failure. This kind of failure can be understood by comparing the outcomes generated by the existing institutions (or institutional order) on social agents with the outcomes generated by hypothetical alternative institutions using criteria such as net economic output or growth. The aim of this model was to analyze the contribution of different institutions to socio-economic performance as well as understanding the institutions responsible for socio-economic failure across countries or period of time within a particular country. According to this model, transaction cost analysis is based on determining the cost of agreeing on a particular institutional order, which is measured in terms of (among other things) the benefit to be forgone or which an alternative institutional order could provide. From political economy perspective, the costs may include the level and extent of people's

¹¹ It should be noted that, some of these conceptual frameworks did not have a direct link to the subject matter of our research and were applied to the study of different social phenomena. For example, the Beetham's MTDT was developed to analyze "Conditions for Democratic Consolidation". However, the MTDT used the logics of historical context analysis which are akin to historical institutionalism. Our main interest in all these frameworks was the institutional oriented logics and arguments embedded in them. That being the case, we replaced some of the concepts used in the original frameworks to fit our theoretical inclination and analytical frameworks. Thus, for the original thesis of these frameworks please consult the references provided

accessibility and control of policy making process and resources necessary for their development initiatives.

The MIR-failure, on the other hand, refers to failures in the process through which institutional reform takes place relative to alternative processes. It is concerned with understanding of the nature and character of “paths” to institutional reform. MIR-failure occurs when, for example, the process of changing the structures of the state and the economy attains a lower cumulative set of net benefits for society compared to an alternative structure. According to the author, while the mode of institutional reforms may be less satisfactory than an alternative process (specified by theory or empirical evidence) it may also increase the magnitude of failures of resultant institutions.

Analytically, it is important to note, that, a researcher (apart from using a hypothetical alternative institutional order) he can compare the net benefit of the previous and current institutional order using the previous one as alternative. He can also use both (the previous and hypothetical institutional order as alternatives. This is more applicable to a single country case study.

(b) The Goldfish Bowls Whimsical Analogy (GBWA)

From Elliott’s “*Goldfish Bowls Whimsical Analogy(GBWA)*” the analysis of the impact of institutional reforms on poverty and inequality were based on the belief that the pattern by which the growth rate of the economy is achieved and economic, social and political values (resources) are shared is vital than the rate itself, however high it may be. The main assumption was that, poverty or impoverishment is the result of a causal process of which enrichment is a major but not exclusive component” and is associated with the process of exclusion or inclusion in the main stream of resource flow (production and distribution). According to him, the nature of the functioning of an institutional order determined the extent of exclusion or inclusion in the main stream of resource flow and determines the power of particular group to extend its interests and impose its own set of preferences upon others. It enables some groups to manipulate policy processes in order to limit the risk of resource loss and ensure continuous resources accumulation.

There are about five (different but closely related) key aspects associated with enrichment and impoverishment advanced under this analogy: resource accessibility and associated mechanisms (which determined how resources are distributed among competing group); patterns of resource flow and the nature of resource circulation in the economy and society; inter-group struggles (which determined which group acquired control over the resources); external-internal relations (which indicated how resources were shared between external and internal actors, the nature of external and internal resource flow, and negotiation mechanisms) and; areas of resource concentration (which indicated potential sources of resources and social groups’ proximity to them and determining their accessibility).

According to Elliott, the analysis of existing institutional order enables us to understand mechanisms of establishment, entrenchment and protection of patterns of privilege. Therefore institutional analysis of poverty alleviation is fundamentally an analysis of “*patterns of poverty and privilege*”.

(c) The Mode of Transition to Democracy Thesis (MTDT)

From Beetham's "*Mode of Transition to Democracy Thesis (MTDT)*" the main concern is the question of whether, and to what extent the process of institutional reforms affects subsequent prospects for poverty alleviation. There are three different aspects of institutional reform process advanced under the MTD-thesis: the character of the previous institutional order; the nature of the actual mode of institutional change itself; and the functioning character of resultant institutional order and its impact on poverty and inequality. These three aspects are further reflected in three hypothetical arguments: first, that, the prospects for poverty alleviation are affected by the character of the previous institutional order; second, that, the mode of institutional reforms against poverty affects its subsequent alleviation; and lastly, that, the functioning character of resultant institutional order affects poverty alleviation initiatives and outcomes.

From these three conceptual frameworks we learned that there are three key aspects central to any historical analysis of institutional reforms and their impacts on socio-economic or political development: the context in which institutional reforms take place; the process of reforms themselves and; the outcome of the reform process which include the functioning of resultant institutional order. These frameworks helped in translating institutional theory and methodology into a conceptual framework namely "*Historical Institutional Reform Impact Approach*" which reflect the nature of historical development processes of Tanzania.

2.4 Conclusion

This chapter sought to present a survey of the literature covering three main aspects: the relationship between institutions and poverty alleviation; the shift in concerns about the role of the state and institutions; the debate on institutional theory; and the conceptual frameworks. The chapter reveals a shared concern among authors regarding the primacy of institutions in explaining development problems, like poverty and inequality, at both the conceptual/theoretical and empirical levels. Although the relationship between institutions, poverty and inequality have been approached differently, there is a common agreement that institutions influence relations in the production process, the mobilization and ownership of resources, and access to the means of securing the requirements of life. The argument is that the restructuring of the political and economic institutions does promote or inhibit the capacity of the government, groups and individual persons in their struggle for material production by influencing their access to and control over the key resources. However, constraints on resource accessibility lead to problems of rule interpretation and enforcement which, in turn, open up space for the actors to implement the existing rules in new ways and, hence, facilitate institutional change. The renewed interest in institutions provides a revolutionary change to the development research agenda in Africa in general and in Tanzania in particular, where the behavioural traditions of comparative politics (in which the properties and behaviour of the political actors are the main explanatory variables of development problems) have been dominant.

The chapter has also revealed that, among the institutional approaches, historical institutionalism has the potential for explaining the socio-economic problems in developing countries. However, the limited application of this theory and the fact that it was developed based on the experience of western societies raises concern about its direct theoretical and methodological applications. The application of its methodology, therefore, calls attention to the contextual specificity of the societies in which it is employed by

translating its propositions into a conceptual framework founded on the material conditions of those societies.

Lastly, we learnt from the chapter that there are three key aspects that are central to historical analysis of institutional reforms: the context in which institutional reforms take place, the process of the reforms themselves, and the outcome of the reform process. These aspects are used as the key components of our conceptual framework that is used as a guide in the research process, as discussed in Chapter 3.

Chapter 3

Methodologies, Methods and Rationale

3.1 Historical Institutional Reform Impact Approach (HIRIA)

[I]t is the presentation and organization of data and its analysis which brings credibility... [W]hat happens around us is not [always] plain [and easy] to see. We have to work hard to organize our thought and experiences to discover what is going on (Holliday 2007:112, 181).

Methodologically this study employed a historical institutional reform approach as its framework for the analysis of the impact of institutional reforms on poverty and inequality in the country. HIRIA was constructed using ideas from Khan's (1995) "*Weak State Failure Model (WSF)*"; Elliott's (1975) "*Goldfish Bowls Whimsical Analogy (GBWA)*" and Beetham's (1994) "*Mode of Transition to Democracy Thesis (MTDT)*" as discussed in chapter 2

The adoption of HIRIA situated the study within the historical-institutionalist school of research which is sensitive to historical context of a particular country and in which inductive techniques can be employed. It allowed for integration of the institutions and actors within a framework which made possible the comparative analysis of the institutional reforms in Tanzania at different stages of its development. It also, provided an opportunity to reflect on the dynamics of the interaction between institutions and *actors*. HIRIA provided a "dual historical institutional impact analysis": the contextual institutional impact analysis and instrumental institutional impact analysis based on three claims. First, that, the prospects for poverty alleviation are affected by the character of the previous institutional order. Second, that, the mode of institutional reforms against poverty affects its alleviation. Third, that, the functioning character of resultant institutional order affects poverty alleviation outcomes.

(a) The Contextual Institutional Impact Analysis (CIIA)

This aspect of institutional analysis helped to capture the impact of institutional reforms within the historically grounded socio-economic and political context of the country in which socio-problems under study (poverty, inequality and insecurity) emanated and within which old and new institutions interacted with competing actors. It also provided an opportunity to reflect on the nature of the process through which reforms took place (*the mode of institutional reform*) and its consequent reform outcomes (*the resultant institutional order*). Here we compare the character of the process of institutional change and the nature and character of resultant institutional order in relation to both, the existing problems and strategies adopted to deal with them.

(b) Instrumental Institutional Impact Analysis (IIIA)

This aspect enabled us to assess the impact of a specific institution, in terms of its constraining or enabling influence on the government and citizens' struggles against poverty, inequality and insecurity.

3.2 The Workings of the Study

According to Holliday (2007:42), a significant aspect of qualitative research is the need for researchers to show their workings, to reveal how they have managed the subjectivity inherent within this research paradigm. Explanations of the workings of this study are based on a theoretical position established in the form of a conceptual framework¹² called “historical institutional reform impact analysis-HIRIA”. The framework was instrumental in organizing and aligning different aspects of the study in a chronological pattern, showing the interplay between the context, processes and the functioning of the resultant institutional order in a form of context-process-outcomes/impacts pattern of argumentation. Thus, patterns of events and meanings presented in different chapters are mutually interdependent and organized along this line.

Apart from providing a framework for analyzing institutional reforms and impact, the HIRIA guided us in organizing thoughts and “developing sense of argument from corpus of raw data¹³” (Holliday, 2007:89). That is, the organization of data into sensible pattern which allowed for analysis and argumentation. It also helped to determine which data were rich in the sense of containing key information we were looking for.

3.3 Sources of Data and Methods of Collection

One principle that underpins poverty analysis is the multidisciplinary of poverty itself. Therefore, there is a growing recognition that a judicious combination of qualitative and quantitative methods can help solve problems associated with each type of method taken separately (Ellis & Mdoe, 2003). In particular, qualitative methods seem more appropriate for capturing the social and institutional contexts of people’s lives as required by HIRIA than quantitative methods.

It is also argued in qualitative social research that qualitative data, usually in the form of words rather than numbers, are a source of well grounded, rich descriptions and explanations of processes in identifiable local contexts. With qualitative data, one can preserve chronological flow, see which events led to which consequences, and derive fruitful explanations (Miles & Huberman, 1994: 1). They are also more likely to help researchers to get beyond initial conceptions and obtain information with a quality of *undeniability*. Generally, according to Miles & Huberman (1994: 10), qualitative data, with emphasis on people’s lived experiences, are well suited for locating the meanings people place on the events, processes, and structures of their lives. In so doing, they enable a researcher to have a strong handle on what real life is, and on the richness and holism of life that is potential in revealing the complexity of realities nested in a real context. In the view of these considerations, this study adopted qualitative methods.

However, quantitative data from other works were used to strengthen evidence in support of research arguments and as a way of illustrating qualitative information. Due to the nature of the problem, and the need for rich qualitative data, the following methods were employed: Documentary review as the main method, interview as supplementary method.

¹² A conceptual framework is a thinking schema through which different aspects of research project are organized and their presumed relationships are constructed. With respect to the workings of the research, it forces a researcher to be explicit and say what he thinks he is doing. Its main function is to guide a researcher throughout the process and position him in relationship to the research in terms of theoretical and ideological inclination (see Holliday, 2007:47).

¹³ According to Holliday (2007:89), the “corpus of raw data” is all the data collected to be used in the research.

3.3.1 Documentary Review Method

Under this method, primary and secondary documents¹⁴ were collected from various sources and reviewed. They included: reports based on official statistics, government and private research reports and surveys; government records such as hansard; ministerial records and debates; political speeches; political party documents; administrative and government committee records and reports; scholarly books and journal articles; investigative news paper reports; newsletters and other library materials.

The motive behind the choice of this method stem from the nature of the problem-the need to understand the impact of institutional reforms on poverty alleviation within “the deep rooted historical context” which could be well captured through large sample of data on reports of opinions, scholarly arguments and comments based on historically sensitive researches and writings on issues related to the problem. The inspiration of using this method also came from the ability of the method in providing rich qualitative information as depicted in previous sections.

(a) Documents’ Quality Assessment (DQA)

In determining the quality of documents used as sources of data in this study, we employed four criteria of assessment summarized in Table 3.1.

Table 3.1: Criteria for Assessing the Quality of Documents

No.	Criteria for Quality Assessment (CQA)	Quality Checking Questions (QCQ)
1.	Document’s authenticity: <i>(the satisfaction that the documents were genuine)</i>	This was determined through nine (9) authenticity checking questions which were asked before using the documents: are the data genuine?; are they from a primary or secondary source?; are they actually what they appear to be?; are they authentic copies of originals?; have they been tampered with or corrupted?; can authorship be validated?; are they dated and placed?; are they accurate records of the events or process described?; and finally, are the authors of documents believable?
2.	Document credibility: <i>(the extent to which the evidence was undistorted and sincere, free from error and evasion)</i>	In determining the credibility two questions were asked before using the document: are the people who recorded the information reliable in their translations of the information that they received? And, how accurate were their observations and records?
3.	Document’s representativeness	This was assessed by determining the “ <i>typicality</i> ” of the documents in terms of their relevance to the aim of the research
4.	Document’s meaning: <i>(the clarity and comprehensibility of a document to our analysis)</i>	Two questions were involved: what was it? And what did it tell us with regard to our research questions?

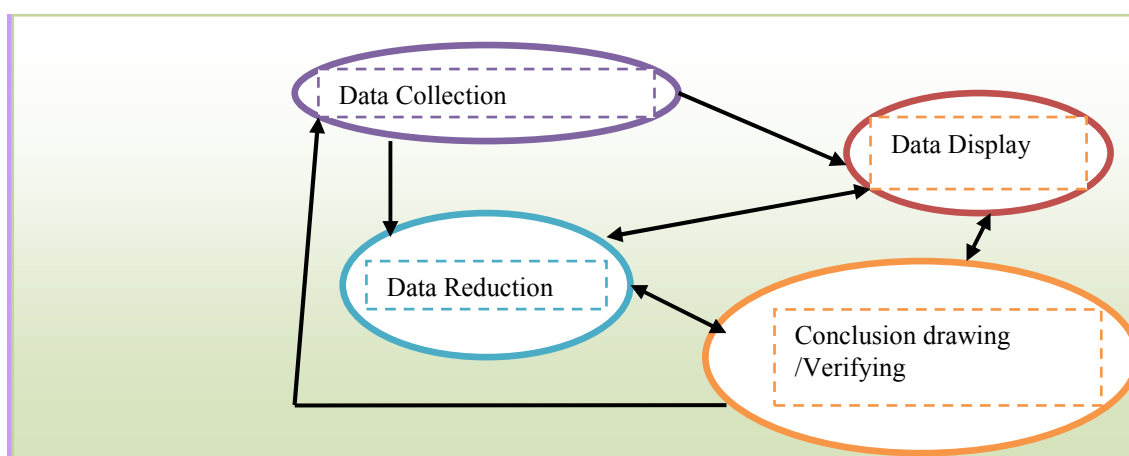
Source: May, 2001:189-190 citing Scott, 1990 and Foster, 1994

¹⁴ A document in its most general sense is a written text... [It is a] physically embodies text, where the containment of the text is the primary purse of the physical medium” (J. Scott 1990:12-13 quoted in May, 2001:178). Primary sources are those materials which are written or collected by those who actually witnessed the events which they describe. In other word they represent knowledge by acquaintance. It is therefore assumed that they are more likely to be an accurate representation of occurrences in terms of both the memory of the author (time) and their proximity to the event (space). Secondary sources are written after an event which the author had not personally witnessed and the researcher has to be aware of potential problems in the production of this data(May, 2001:180).

(b) Analysis of Documentary Data

After being assured with the quality, the next step was to analyze data from those documents. In this process we used Miles & Huberman's (1994: 10-12) Qualitative Content Analysis Approach¹⁵ (QLCAA). The QLCAA consisted of three interconnected data analysis processes. First process involved the extraction of the relevant information (in relation to the research variables) from the corpus of raw data-*data reduction*¹⁶. Data reduction proceeded with processes of organizing data into sensible patterns identified with specific themes which created a foundation for easy analysis and argumentation in later processes (Holliday, 2007: 89). The second process was data displaying, which involved organization, compression and assembling of information into an "extended data text"-a collection of information on a single text (Miles & Huberman, 1994: 11) and further reduced into small quotations and "*discursive commentary*" notes (Holliday, 2007: 90) presented in tabular form or left to be used as quotations. The last process was conclusion drawing and verification. This part involved noting data regularities, patterns, relationships, meanings and then, drawing conclusions in the form of research arguments and verifying them to ensure their validity. This was done through revisiting the theory and raw data and presentation to colleagues.

Figure 3.1: Interactive Model of Qualitative Content Analysis Approach (IM-QLCAA)¹⁷



Source: Miles & Huberman, (1994: 12)

¹⁵ According to May (1997:173-quoting Ericson , Baranetk and Chan 1991 :55) qualitative content analysis is a process whereby the analyst picks out what is relevant for analysis and pieces it together to create tendencies, sequences , patterns and orders. Qualitative content analysis emphasizes the fluidity of the text and content in the interpretive understanding of the social context (culture). It starts with the idea of process, or social context, and views the author as a *self-conscious* actor addressing an audience under particular circumstances. The task of the analyst becomes a reading of the text in terms of its symbols. With this in mind the text is approached through understanding the context of its production by the analysts themselves (May 2001:193). In the process, the analyst picks out what is relevant for analysis and pieces it together to create tendencies, sequences, patterns and orders.

¹⁶ Data reduction refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written –up [books, reports,] field notes or transcriptions (Miles & Huberman, 1994: 10).

¹⁷ The figure indicates that the three types of analysis activity and the activity of data collection itself formed an interactive, cyclical process. We steadily moved among these four “nodes” during data collection and then shuttled among reduction , display and conclusion drawing /verification for the remainder of the study. The coding data for example (*data reduction*) led to new ideas on what should go into and extended text and tables (*data display*). Specifying the data into sub-themes required further data reduction. As the table and quotations were developed, preliminary conclusions were drawn, but this process led another process of *testing the plausibility of conclusions* (For more discussion see Miles & Huberman, 1994: 12).

3.3.2 Interview Method

Interview was selected as a supplementary method to provide the means for updating, clarifying and verifying information obtained from documentary method. It also provided an opportunity to experience the feelings of the key actors in the institutional reforms process as well as exposure to the undocumented discourses used by the actors in describing the processes and interactions. In other words, it was a way of getting inside the reform context. Unstructured interview protocol was used for this purpose. Respondents were drawn from purposively selected research sites¹⁸ using snowball sampling technique¹⁹ (see Appendix 3A). The process and rationale for adopting this type of interview method is summarized in Table 3.2.

Table 3.2: Interview Process and Rationale

Data Collection Techniques	Data Analysis Techniques	Rationale
Unstructured interview protocol; Dictation Machine/Tape Recorder; Note Books and Pens	Qualitative Content Analysis (QLCA): Interview transcription and translation; data reduction; data display and; conclusion drawing/verification	The nature of the problem and research questions; the theoretical underpinning of the study; ability to yield rich insights into people's life experiences, opinions, values, aspirations, attitudes and feelings; its flexibility and opportunity it provides to discover patterns of meanings attached to different social events unfolding within historically grounded social transformation; its open-ended character provided respondents the ability to challenge the preconceptions of the researcher, as well as enables them to answer questions within their own frame of reference; it provided the qualitative depth of information with a greater understanding of the subject's point of view; it could also chart how relationships changed with the transformation of socio-economic conditions in the society; the nature of the respondents –the elites—who are less inclined to “yes” and “no” types of questions.

Source: Miles and Huberman, 1994: 11; May, 2001:119, 120, 124-125 & 138-139

(a) Interview Quality Assurance (IQA)

To ensure the quality of interviews the following measures were taken: to observe information accessibility by ensuring that the interviewee had access to the information we wanted; ensuring that the interviewees knew what was required of them by making them aware of the subject matter and the information required; ensuring that the interviewees were motivated for cooperation and felt valued in their participation during interviewing by paying attention to the issue of rapport and appreciation of their responses to our questions; by using probing and avoiding asking directive questions; to always keep in mind that it is not the obligation of a subject to be objective and to tell us the truth and therefore we ensured that, we were well knowledgeable about the subject we were interviewing for and the conditions surrounding interviewees which related to the subject matter; finding alternative information to minimize information exaggeration by asking other respondents similar questions and reviewing documents on similar issues; to be sensitive to time by determining earlier on in an interview, what part of the protocol was likely to yield the best answers (May, 2001:128-129; Berry, 2002: 680-682).

¹⁸ These were people working in various organizations and with exposure to reform processes in the country

¹⁹ This was done by first identifying one interviewee and then requesting him or her to recommend other interviewees whom he/she knew could have the relevant information for our study

3.4 Establishing the Quality of the Conclusions

During Data collection, analysis interpretation and reporting stage, various strategies were employed to establish the quality of the findings (i.e., that they are correct, believable and trustworthy (Silverman, 2002; 2001; 2007; Robson, 1993; 2002; Bryman, 2004). Apart from adhering to quality assurance mechanisms of both of the two methods, three mechanisms were used to establish the quality of the research arguments and conclusions. These were: data collection method triangulation (Miles & Huberman, 1994, Flick, 2002; Lewis & Ritchie, 2003; Robson, 1993, 2003; Silvaman, 2006; Yin, 2008) which involved using multiple techniques of data collection -interview, documentary review, observation and experience)-and during analysis we triangulated data received from different sources to establish patterns of coherence and incoherencies; application of refutability principle by consistently linking the findings with the analytical statements, mainstream assumed relationship and our own expectations regarding the data (Silverman, 2000; 2001; 2006). In this way, we were able either to support or question the theory of the study and the general belief about the relationship between institutions and their impact on poverty, inequality and insecurity; and detailed reporting by presenting the findings in detail along with some of the original quotations of both interview and documentary review extract (Bessey, 1999; Silverman, 2006; Holliday 2007:91). We also used quantitative data to support the qualitative data wherever deemed necessary.

3.5 Generalizability of the Findings

This study employed a single case (Tanzania) using historical interpretive institutionalism. Being a single case study, the findings cannot be simply generalized to the population (many countries in or outside Africa) but only to cases with similar characteristics, and to the theory (analytical generalization) used in this study. The detailed description and analysis of the characteristics of the case study (Tanzania) and full reporting of the findings of this study and the fact that the study findings match prior theory, suggest that the findings may be transferred and applied in context similar to that reflected in this study (Yin, 1993, 2003, 2008; Miles & Huberman, 1994; Merriam, 1998; Stake, 2000; Bryman, 2004; Lincoln & Guba, 2000; Silverman, 2006).

3.6 Ethical Considerations and Fieldwork Experiences

According to Ryen (2004:230) fieldwork is definitely more colourful and challenging than most published version. Its sensation rests with the peculiar situations that the issue of delicate emotions in fieldwork is conspicuous in its absence from methodological textbooks or fieldwork reports. The most challenging is whether our experiences on what behaviour in the actual fieldwork process would be ethically acceptable and probably methodologically interesting!²⁰ In most cases the discussion of the ethical dilemmas encountered in our fieldwork illustrates two challenges -ethical practice, and how matters come to be constituted as ethical issues in social research.

²⁰ According to Mann and Kreyche (1966:1) ethics is mainly concerned with what man should do, with what his action or conduct as a man should be. Based on the above conception of ethics we can reiterate that: Ethics in social research is mainly concerned with what a researcher should do, with what his action or conduct as a researcher should be. It is a body of normative principles of research conducts key to epistemological imperatives of social research.

There were four main ethical issues observed during our fieldwork. These were: Accessibility to sites and participants; Codes and Consent; Confidentiality; and Trust (Ryen, 2004:230-234)

(a) Accessibility to Sites and Participants: Observing Protocol

The procedure to conduct a study in Tanzania needs an Official Research Clearance Letter or Notification. So, the first step was an application for a research clearance to the University of Dar es Salaam. The clearance letter was an official introduction and was taken to organizations where respondents were drawn or directly to individual respondents. At organizations' levels similar formal introduction were issued to sections where we had access to relevant documents and individual officials whom we interviewed. The following is a sample of the clearance letter:

“The purpose of this letter is to introduce to you Mr. Godfrey Sansa who is a bonafide Staff member of the University of Dar es salaam and at the moment conducting research....In accordance with a government circular letter Ref. No. MPEC/R/10/1 dated 4th July 1980 the Vice-Chancellor was empowered to issue research clearances to the staff...of the University of Dar es salaam on behalf of the government and the Tanzania Commission for Science and Technology...I therefore, request you to grant the above mentioned member of our community any help that may facilitate him to achieve research objectives. What is required is your permission for him to see and talk to the leaders and members of your institutions in connection with his research. The title of the research in question is “*The Impact of institutional Reforms on Poverty and Inequality in Tanzania*”. The period, for which this permission has been granted is from June 2009 to October 2009 and will cover the following offices...Should some of these areas or offices be restricted, you are requested to kindly advice him as to which alternative areas/offices could be visited. In case you may require further information, please contact the Directorate of Research – Telephone number.....”

We have quoted this part of the letter in length because it had a great implication on ethical standards mostly advanced in social research as discussed below.

(b) Codes and Consent: *Informed or Imposed Consent?*

Codes and Consent refer in particular to “*informed consent*”. This means that research subjects have the right to know that they are being researched, the right to be informed about the nature of the research and the right to withdraw at any time (Ryen, 2004:231). The aforementioned author had already warned that different societies have different values and standard measures of ethical issues which may challenge the so called “*universal ethical standard*” in research (ibid. p.232). This was exactly the case we encountered in Tanzania. The formal clearance letters which granted a permission to have interview with respondents from public /government or any other offices had embedded tendencies of what we called an “*imposed Consent*” as opposed to the ideals of “*informed consent*” which is based on freedom of the respondents to withdraw their consent at any time of the study. In bureaucratic organizations any kind of instruction from higher authorities is treated as an order to lower levels and always presupposes compliance. In this situation there is no freedom or voluntary decision on the part of the lower authority to act otherwise.

Moreover, there was no need for informed consent of the immediate respondent at the lower rank so long as the higher authorities had accepted it-a kind of *derived informed consent*! However, because our research was guided by the need to uphold “informed

consent” we verbally explained, to our interviewees, the aims and significance of the study insisting on their freedom to freely express their feelings. They were further assured that, the official letters notwithstanding, their participation in the study was voluntary and therefore, they were free to withdraw their consent at any time of the study and we could facilitate that by keeping their decisions to ourselves as secrets (not reporting to higher authorities) to avoid negative consequences. We also used both Kiswahili and English languages depending on the interest of respondents to ensure that they understood very well, the pre-information given regarding the study (Silverman, 2006)

(c) Confidentiality: Illusive and Unethical Research Act?

Another dilemma we encountered in the course of fieldwork was confidentiality. This refers to obligation of a researcher to protect the participant’s identity, places, and the location of the research (Ryen, 2004:233). With reference to the clearance letter again, this formal bureaucratic introduction implied in practice, an existence of a kind of a “*translucent path*” which made the “*idealistic anonymity requirement*” advanced in social research discourses illusive. For example, through the path on which the information about who we had to speak to was officially disseminated, one could trace and locate interviewees or any other person who was instructed to assist in the research process. In each office there was an official file for all research records including dated minutes of official notes directing who was supposed to speak to us when visiting the offices. Moreover, in Tanzania, there is an established and well accepted procedure that, sites and interviewees’ names and titles are given in the appendices (see also Ryen, 2004:233). To deviate from this procedure, to use Ryen’s words, “may be perceived as either confusing or arrogant”. Based on our experiences we can confidently argue that, being anonymous in Tanzania’s research context is not only perceived as arrogance as observed by Ryen, but also “unethical act” in itself. We also found that, discouragement of anonymity in Tanzania is aimed at minimizing the possibilities of researchers to cheat during their fieldwork by, for insistance, not conducting actual fieldwork and producing fake data on the pretence of “observing anonymity”.

Despite the above dilemma, we adhered to ethical standards which require researchers to maintain confidentiality. As response to that, none of the research participant was identified by name in research report or any kind of presentation that involve use of these findings (Sarantakos, 2005; Hill, 2006). All recordings were taken subject to the interviewee permission and quotations were done following permission granted by interviewees.

(d) Trust

This refers to the relationship between the researcher and participants, and to the researcher’s responsibility not to spoil the field for others in the sense that potential research subjects became reluctant to research. In our case, trust was not the main problem. As already noted, the official introduction letter acted as a mechanism of ensuring trustworthiness on both parts: we as researchers, could easily be reported to higher government officials by respondents in case of un-trustful act and this could spoil our research, but we could also report similar behavior when they were committed by participants. This created a mutual interest of maintaining trust in the research process. However, being researchers trained on ethical standards in social research, maintaining trust was imperative regardless of the envisioned administrative sanctions associated with clearance letter.

PART TWO



The Context

Chapter 4

Institutional Development and Change: *a Retrospective Exploration*

4.1 The Colonial Period (1885-1961)

A history of Tanzania's socio-economic and political development is fundamentally a history of the impact of institutional development associated with the imposition and consolidation of colonial rule and post- independence reactions to colonial legacies. With the imposition of colonial rule, the institutional conditions for socio-economic and political changes were also established and wrought in the material conditions of the society. In turn, these changes created the conditions out of which the forces of both anti-colonialism and anti-poverty struggles emerged to challenge the colonial rule itself, and later its structural impact on socio-economic development.

4.1.1 The German rule (1885-1918)

Processes of modern institutional transformation began with the imposition of the German colonial rule in February 1885. Initially, the management of the territory was granted to “*the German East African Company*”, but subject to jurisdiction of the Imperial Government before the latter took over official administration of the territory as a colony in 1890.

The early German policy was informed by its pervasive interest in economic than in social and political development. Through the German East African Company, much exploration of resources like minerals, water supplies, and profitable local plants were carried out. As a result, new trading items such as minerals, timber and tropical plantations of cotton, coffee, sisal and rubber were discovered and the German settlers became the major owners of cash crop plantations in Tanganyika. It was the establishment of German settler economy, mining, trading centres and firms, as well as German settlements, which provided the initial institutional foundations upon which “modern” Tanganyika's and later Tanzania's socio-economic and political development were based.

(a) The Administrative System

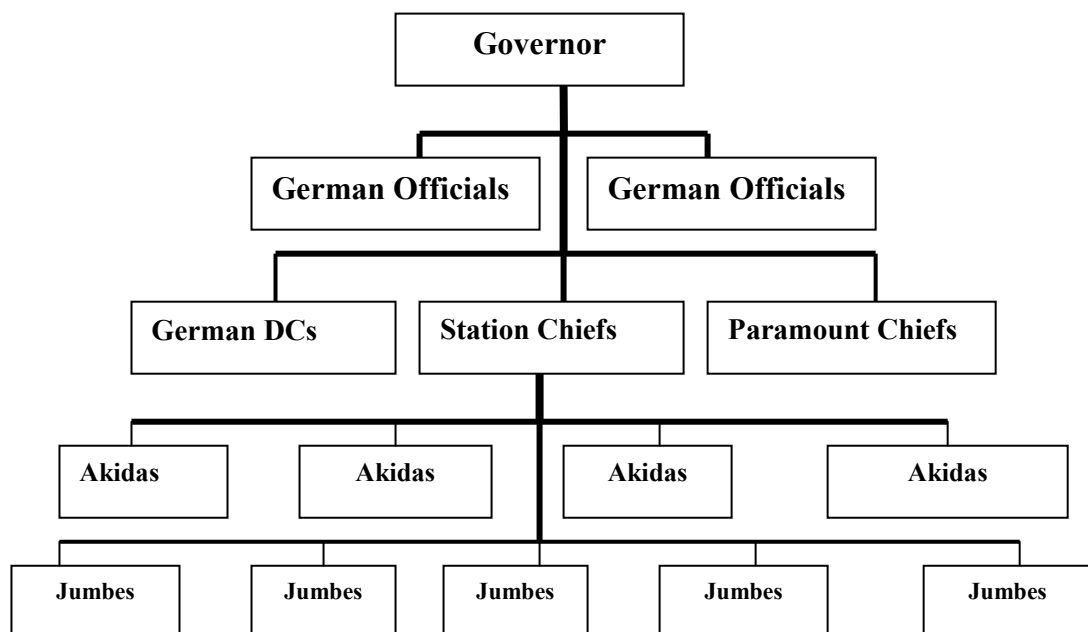
The Germans established the first modern administrative system in Tanganyika which negatively affected Africans' everyday life. It was highly centralised, military in character and harsh, with widely unchecked and arbitrary use of authority. Bates (1962:401-402) explained the character of the administrative system in the following words:

“In the African memories...there remains...a vivid impression of the German administrative system and its effects on everyday African life. [With] the military...character...the...authority...acted most harshly. The German district officials...had very wide powers which were almost unchecked by the central- government, and his use of judicial authority made a special impression on the African. Judgments tended to be arbitrary...made with little knowledge of local law and custom, and frequently included corporal punishment or penal labour. The sentence of twenty-five lashes with a rhinoceros-hide whip was so frequently imposed that the phrase “*hamsa ishirini*” (Kiswahili for twenty-five) is still a synonym for arbitrary use of authorities”

As a result of that experience, Africans created a negative perception of politics, state and administration which was echoed in the minds of future Tanganyikans as it passed from one generation to the next.

It was based on direct rule approach with an organisation structure based on some Arab administrative techniques, which ran from central government to lower echelons. In the coastal towns and their immediate vicinity, government was directly in the hands of the German officials. In the coastal districts and certain districts in the interior the administration was headed by a German District Commissioner(DCs) or Station Chief, assisted by a number of *Akidas* (middle rank officials) generally Arabs, to each of whom assisted as subordinates a number of *Jumbes* (Village headmen) generally Africans. In the most interior districts the tribal, especially the paramount Chiefs (some appointed by the German authority) were directly subordinated to the German officials whose instructions they had to fulfill among their tribes (Stoecker, 1986: 106-107). *Akidas and Jumbes* were charged with day-to-day administration of local areas such as recruitment of forced labour and tax collection.

Figure 4.1: German Administrative Structure



In as far as administrative system is concerned, the following lessons can be learned: *First*, the adoption of the *Akida* system was designed to replace chiefs and African elders of the tribal administrative systems. These traditional African systems were, in Bates' view, felt by the German administration to be obsolete. *Second*, the system lacked internal coherence and control mechanisms, especially to its lower echelons. For instance, Bates argued that, *Akidas* had so little supervision that the road to tyranny was wide open, which in turn led them into exaction of tribute and corruption. *Third*, little heed was given to the process of social change that was taking place in the territory. *Fourth*, the German rule was apolitical. Most of socio-economic development changes of the territory were treated purely on technical and administrative terms with economic benefit as central motive. The colonial authority paid little attention to the problem of political organisation and representative

political institutions or mechanisms were not introduced. *Fifth*, institutions were distorted, thus, creating negative impressions about their functions to the majority native Africans.

(b) The Legal System

In terms of legal institutions, the Germans introduced a dual system of law characterised by two branches of judicial adjudication: one for foreigners and the other for natives. While the white foreign population and persons deemed equal enjoyed a variation of the consular judiciary which applied German law, the native population did not enjoy the advantage of an independent judiciary (Bierwagen and Peter, 1989: 396) and were left under customary law subordinated to German Civil law traditions. The Germans maintained a close connection between the administrative and judicial systems. Bierwagen and Peter argued that, in civil matters district officers, or officers' in-charge of military stations, delegated adjudication of cases to local leaders (liwalis, kadhis, and akidas) who continued to exercise administrative functions.

(c) Resource Control and Management

The interest of the German rule was exploitation of resources. Land and minerals and promotion of plantation agriculture were part of its colonial policy. Land alienation and control became crucial. To ensure effective exploitation of resources, the government promulgated the imperial decree in 1895 which declared all land, whether occupied or not, to be treated as unknown Crown land and vested in the Empire. It also established a dual system of land rights and ownership: the statutory rights and ownership which was enjoyed by the settlers and; the deemed or occupational (permissive) rights based on the fact of cultivation and possession applied to the majority native communities. In practice, only settlers could prove their titles and therefore, enjoy the attendant security of tenure while the indigenous people were left with unprotected permissive rights of occupation. The declaration of all land "Crown land" and vesting it in the State as the ultimate landlord was a response to colonial economic logic of resource control. This became the premise of land reforms throughout the history of the country. Moreover, the ultimate state landlordism led to the fusion of sovereignty (power) and property (the land) into one entity the State subject to administrative regulations and discretion (URT, 1994: 8-9; Shivji, 1998:2)

In general, German rule set the foundation for institutional development in the country and established precedence on which future options were based. The introduction of an enclave market economy; rudimentary communication system; centralised and militaristic administrative system; mission schools and hospitals; dual legal system based on European statutory or civil law traditions and African customary law; the fusion of administrative and adjudicative systems and functions; forced labour; modern town centres; and distortion of modern institutions, set in motion a unique institutional trajectory.

4.1.2 The British rule (1919-1961)

British took over Tanganyika from the Germans in 1919 and it was to be administered under a Mandate of the League of Nations. Power transfer from German to British had three institutional aspects: change of the territorial status of Tanganyika from a full colonial status, as it was during German rule, to a mandated one. This new status required for the provision of paternal and impartial governmental structure aiming at protecting local Africans; the declaration of Tanganyika as a territory of equal accessibility to all member States of the League, a unique international position and; dual international

institutional protection-under the British Empire and the League of Nations²¹. These changes in status exposed Tanganyika to manifold international processes. Notwithstanding its new status, administrative and legal systems were a British replica.

(a) The Administrative System

With the Tanganyika order in council of 1920, a British colonial administration was established. The Governor was the principal executive and representative of the Crown assisted by an executive council of appointed civil servants. But these administrative changes were not immediately accompanied by the establishment of representative bodies. Bates (1962:404) observed that, “in the initial administrative instruments, there was no provision for a legislative body or for any sort of local representation”. The Governor alone promulgated all ordinances until 1926 when the first “non-native” and “non-elected” legislative council was created.

Unlike the Germans, the British adopted an indirect administrative system-an administratively cost-effective and conflict-preventive model of indirect rule (Tangri, 1985:1; Bates, 1962:405; Duggan and Civile, 1976: 25). The “indirect rule” or what Feit (1970:223) called “an administrative-traditional rule” entailed using African traditional authorities, administrative institutions and customary law as the major factor of administration to reduce the costs of running the bureaucratic machinery and administrative shield against protest resulting from socio-economic and political changes. The administrative system ended at district level with chiefs and other authorities subjected to the central government authority.

In terms of institutional character, Mamdani (1996:5) argued that indirect rule was based on a policy of “institutional segregation” and a doctrine of differentiation in organizing the relationship between Europeans and Africans. While avoiding forcing African institutions into an alien European mould, he argued, “indirect rule preserved Africa’s unity with her own past and allowed for the free development of people along their own specific lines”. The aim was to facilitate the evolution of separate institutions appropriate to African conditions but which differed, both in spirit and in form, from those of Europe (ibid, p.7). According to him, the emphasis on differentiation meant the forging of specifically native institutions through which the colonialists could rule Africans as subjects. It was a way of preserving the native institutions while keeping them responsive to the colonial interests. Thus, in practice, indirect rule came to be the mode of domination over free natives by preserving their communal-customary institutions within the context of “native institutional autonomy”.

In implementing indirect rule, the colonial government introduced received laws which regulated the civil and market oriented relations mostly in the urban areas or enclave economic zones along with customary laws that regulated the non-civil and non-market relations in the rural and semi-urban areas. The dualism in the administrative and legal practices led to the formation of two distinct, albeit related, forms of power: the centrally

²¹ Tanganyika was part of the *German East Africa* and the colony which the Germans liked most. It was largest colony, the reasons of prestige and show place of the Empire which the Germans never thought of losing. So, there existed a fear of them reverting to the Territory after the WW I (Bates 1962:402; Duggan and Civile, 1976: 23). Because of that, Tanganyika was placed under dual international institutional protection: first under the British mandate; and second, collectively protected through the League of Nations.

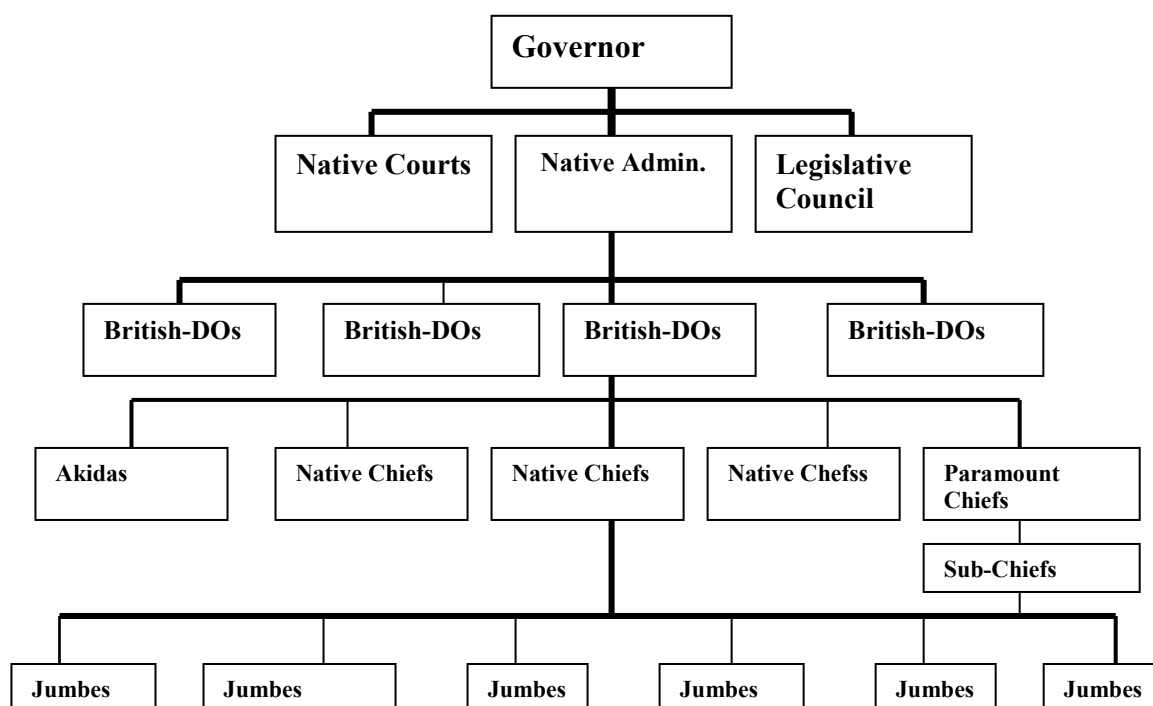
located modern state and the organized native authority. The hallmark of the colonial (modern) state became civil law, through which it governed the citizens in civil society (Mamdani, 1996:17, 109) while leaving the native community to the dictates of varieties of the customary laws. What Mamdani seems to suggest is that indirect rule, through its policy of institutional segregation and customary laws' autonomy, created a divided society through the subjection of its members to competing institutions: the modern for the colonizers and their associates and the customary for the natives. This historical fact is fundamental to the understanding of the forms and functioning character of the state, economy and society in contemporary Africa.

The consequence of this was the introduction of what Miller (1970:267) called "*a syncretistic*" local leadership featured by duality of response on the part of officials at lower administrative levels. A local leader caught between the needs of his traditional society and that of the colonial authority, was forced to respond to similar problem with different answers; and he could carry out a series of activities and decisions which were supposed to be acceptable to the most isolated tribes and to the modern colonial administrator. This kind of dual responsibility led, on the one side, to speculation or apathy and, on the other, to autocracy.

Moreover, the introduction of indirect rule accompanied the destruction of the internal power balance in the tribal communities. According to Bryceson (1990:81), many of the authority figures who had imposed checks on the local leaders, particularly the chiefs, were not accorded legitimacy. The monetarisation of chiefly wealth made the commitment to material security personal and divorced them from any moral obligation towards the people. Due to the lack of internal accountability mechanisms, the remoteness of the native administrative divisions, and contradictory co-existence between customary law and the colonial state laws and policies, the colonial chiefs could engage in what she called the "extra-legal" or "non-bureaucratic" exercise of the native authority offices for prestige aggrandizement, which included: the non-execution of formal duties, discretionary decision-making in public office, the appointment of relatives to native authority posts, and financial irregularities in the form of fraud, privilege and embezzlement. According to her, while all of these activities were considered to be abuses of office by the colonial state, the chiefs saw them as part of a logical and often requisite behavioural pattern. She also noted that the non-execution of formal duties and discretionary decision-making arose in areas where the customary and colonial state laws and policies were at odds.

Thus, dual institutional autonomy (modern vs. customary) was accompanied by dual ethical autonomy (morality as defined by European vs. Africans). This may be considered as the beginning of institutional syncretism and ethical duality, a condition which set in motion a unique development trajectory in Tanzania and which had consequences for the nature of state formation and the organization of the economy and society.

Figure 4. 2: The Organization Structure of British Indirect Administrative system



Throughout this period, representation of local interests was limited due to weak and discriminatory legislative and local representation bodies. Politics was reduced to administration, with policies and decisions made within bureaucratic cycles without inputs from local inhabitants. There was a great emphasis on administration and treatment of all socio-economic and political problems as purely technical, economic and administrative. These tendencies exacerbated the disequilibrium between administrative and economic institutions and between political representation and social welfare institutions. Administrative and economic institutional expansionism and development was not accompanied, in the same rate of change or growth, with those in social and political representation sphere.

In terms of social relations, indirect rule also affected race relations, which had profound effects on later socio-economic and political development. The native institutional order separated the administrative and political status and allegiance of Africans and non-Africans. A colonial Tanganyika had a non-African population, a group outside the native administrative system. This consisted of Arabs and other Asians, who were mainly traders and artisans and Europeans, who were small in number as compared to Asians. A large part of the European group composed of civil servants and missionaries, whose residence was temporary. Both the Asian and European groups had their representatives appointed to the legislative council after 1926. Because of their heterogeneity, division of allegiances, which rested outside Tanganyika, as well as their temporary nature of their stay, they had no interest in pressurising the colonial authorities for political rights, privileges, social welfare and African participation in the development process (Bates 1962:411). Most colonial institutions functioned in favour of these groups than native Africans.

At the start of World War II, Tanganyika had no central political institutions in which Africans were represented. Socio-economic and political changes still reflected the pre-War period. However, the council had been created in 1926 based on appointed

membership and racial discrimination²². Tanganyika entered a new stage in its institutional development in 1947, when its territorial and international status changed from a *mandatory* of the League of Nations to a *trusteeship* of the United Nations. The assumption of the *trusteeship system* was that territories under tutelage would be groomed for independence, and it was to be the role of the administering authority to expedite the process. As a response, rapid modernization of the native administration proceeded with the tendency towards widening representation of Africans. A series of measures to alter local institutions were tried and new authorities called “*Liwali*” with no formal traditional status were established in areas like the southern part of the territory, where no strong chiefdoms existed. The councils of chiefs were also created elsewhere and sometimes chiefs were made subordinate executives responsible to an appointed council. Tribal and district federations were encouraged, with variations in methods of appointment and elections from tribe to tribe.

In the early 1950's, the government began experiments in local government. The aim was to modernize the native administrative system and make it more of local government system through improvement in financial competences and introduction of some popular participation²³. At one time, regionalism and provincial councils acting as electoral colleges for the legislative council, and another time, was the introduction of non-African representation in line with ideas of multiracialism. Commoners were also added to chiefs' councils, and in some instances the chiefs themselves become elected officials. Between 1950 and 1960, two other changes took place in the local administrative system which had great implication to the development of local government after independence. The first was the local Council Ordinance of 1953, which provided for representative and eventually elected local councils; and the second was the entry of party politics into local government in 1958, and local government party officials began to take over both local politics and administration.

While the native administration experiment continued, major political changes began to take place: enlargement of the legislative council with parity of representation of the three major races-Africans, Asians and Europeans; the enfranchisement based on common-roll; transformation of unofficial members' organisation in a legislative council into a kind of “a government opposition” and hence a “parliamentary” form of representative government (Bates, 1962: 419)²⁴.

²² The council had a total of 23 appointed members, 13 official members and 10 unofficial members. The racial composition of the council had never been legally specified, but in practice the unofficial side had always included 7 Europeans and 3 Asians without a single African representative. These were chosen by the Governor after consultation with such local interest groups as the Sisal Growers Association (SGA), the Northern Province Farming Community (NPFC), and the Asian Association, which represented their own interests. The operated as a small group of advisers to the Governor (not as a representative body) and only opposition was occasionally directed to economic and financial matters. The legislative council was enlarged to include African members in 1945, during which council membership was raised to 29, with 4 new unofficial seats reserved for Africans. Interestingly, the Governor appointed only 2 African members among Chiefs and it took almost three years for another 2 African members to be considered.

²³ The guiding line for establishment of local government system in Tanganyika was “the Creech-Jones 1947 dispatch” on democratic local government in British colonies. According to this dispatch an overhaul of the system of native administration was important to allow democratic local councils and to establish some institutional relationships between central and local government. The central argument was that, without a well developed local government, all functions devolved upon the central administrative structures, making local social economic and political development difficult. Therefore, a local government system was to be established with local authorities accorded powers to make major decisions in line with their specific development needs(see Bates 1962:413; Pratt 1976:24).

²⁴ But this was just a small number of non-elected unofficial representatives. The representation in the council remained unequal. For instance, by early 1955, Tanganyika had a new legislative council of 61 members, 30 of them being unofficial members composed of 10 appointees from each racial group (10 Africans, 10 Asians and 10 Europeans) irrespective of the size of the population they represented.

Notwithstanding these changes, the nature and character of the colonial administrative and representation system remained unchanged. Members of the legislative council of all races remained businessmen, farmers or local chiefs. The council as an institution, operated as a paternal advisory body to the central colonial authority. It never functioned as a policy and decision-making body of the majority Africans and its seemingly new status as a “parliamentary body” was more symbolic and functionally premature. The parity and racial equality principle continued to keep the most Africans outside policy and decision-making spheres (Bates, 1962:420).

(b) Transformation of Political Representative Institutions

Development that went with the foregoing political development was the emergence of civil society organizations in the form of labour unions and political organisations in the form of political parties. This marked the beginning of nationalist struggles and construction of modern state institutions and political system in Tanganyika which later influenced the character of the post-colonial state and its relation with and role in the economy and society.

The nationalist struggles which became more active in 1950s, after conversion of the TAA into TANU²⁵, was accompanied by the government efforts to prohibit civil servants from joining African nationalist movements as an attempt to remove the most educated component of TAA leadership (Iliffe 1979:505-7; Costello 1996:124-125). The separation between the TANU and bureaucracy had greater influence in the process of institutional construction of the post-colonial state. When TAA (the only influential government workers’ organization) was transformed into TANU, civil servants not only lost their organizational base, but were also prohibited from joining the new party which was created at the expense of their organization. Recognizing this dilemma, the TANU leadership decided to help the civil servants (in the form of paternalistic moral and material support) to create the new organization-“the Tanganyika Federation of Labour-TFL”- the first national trade union organization, which served as a venue for participation in the anti-colonial struggles (Costello 1996:125). This led to a *de facto* affiliation of workers unions to the party.

Thus, the mode of institutional reform in the 1950s was characterized by two antagonistic tendencies which influenced the post-independence reform processes. On the one hand, there was a push for institutional separation accompanied by social group disintegration, depoliticisation and demobilization supported by the colonial government and, on the other hand, the nationalist movement (TANU) pushed for institutional interpenetration, social group integration, politicisation and mobilization.

The emergence of TANU had a profound influence on the political system, forcing readjustments in the administrative system and legislative council. So, being dominant in electoral politics²⁶, TANU's pressure influenced the formation of an Elected Member Organisation (TEMO) dominated by TANU members, which began, for the first time in Tanganyika's political history, to function as a parliamentary opposition to the colonial

²⁵ As many other institutional development, emergence of political parties in Tanganyika followed what can be referred to as “a dynamic path-dependent” institutional route. The colonial government had allowed the establishment of an inter-tribal organisation called the Tanganyika African Association (TAA)-a society of urban Africans, mainly those in government employment who had western education-as far back as early 1930's. In July, 1954, the Association was transformed into a political party namely the Tanganyika African National Union (TANU), the Party through which independence was obtained.

²⁶ After electoral defeats between 1958 and 1960, the UTP faded from existence giving way to another TANU's opposition party called the African National Congress (ANC). It faced similar electoral catastrophes and followed the UTP's route to eternal rest, leaving TANU as the only dominant.

government, and the representative body of Africans' interests (Duggan and Civile, 1976: 29; Bates, 1962: 428-430). Again, unlike a parliamentary representation system, TANU acted as “a single-party” in the legislative council opposing the colonial government, which was not “a party government”. In effect, there was “a single party system” within “a non-party government” system.

(c) The Legal System

Based on a philosophy of “indirect rule” the British introduced a dual legal system consisting of English common law and indigenous customary law (Allott, 1984:58). A native court system based on customary law was established but subordinated to English High Court system (Bierwagen and Peter, 1989) and administrative regulations. So, native courts and customary laws were recognised as an essential part of the apparatus of indirect administration rather than legal instruments of the native population and were left with considerable freedom to function in a traditional way. However, these customary courts were gradually integrated in the regular territorial court system and steadily brought into line with English ideas of common law, justice and procedures, hence, reiterating the prevailed system of separate jurisdiction. On the one side, there were the traditional native tribunals supervised by administrative officers; and, on the other side, the English-orientated system of courts for white population-the district magistrates' courts, the resident magistrates' courts and the High Court (Allott, 1969:13; Bierwagen and Peter, 1989: 398).

There were two effects of the legal reforms: the subjection of legal institutions in general and customary laws and native courts in particular, to administrative authorities and regulations and; the subordination of the customary law and native courts to English (common law) legal procedures and morality. The Native Courts Amendment Ordinance of 1929 put the courts under control of provincial commissioners and provided for an appeal from a native court to a superior native court, thence to a district officer, from him to the provincial commissioner and finally to the governor. British authorities appointed special officers within the administration to supervise and advise the work of the native courts. In all legal relations and cases in which Africans were parties, courts were: (a) to be guided by customary law so far as it was applicable, and it was not repugnant to justice and morality or inconsistent with any Order in Council or Ordinance; and (b) to decide all such cases according to substantial justice without undue regard to technicalities of common law procedures (Bierwagen and Peter, 1989: 398). In other words, the application of customary law was only acceptable if it conformed not to African, but to British standards of humanity, justice and morality (Allott, 1984:59).

The repugnancy clauses gave the administrators and legal officials the power to modify the customary laws in favour of colonial interests and not to safeguard the interests of the native population or justice and morality as implied in the customary law. The notions of property rights, economic principles and social protection embedded in the UN-Trusteeship Agreement remained theoretical, while subordination and exploitation of the native population and their resources for colonial economic interest remained paramount. Legal reforms on land tenure system and resource control and management illustrate the argument.

(d) Resource Control and Management

The British land reforms were influenced by Tanganyika's status in international law as a Mandate and then a Trust Territory. The other factor was the colonial policy to develop the territory as a plantation/peasant economy (as opposed to a settler colony) producing essentially for cheap agricultural raw materials. It was the need to resolve tension between the land interests of the peasants and plantations sector which underpinned much of the colonial land reforms and policies. Article 8 of the UN-Trusteeship Agreement reiterated²⁷ that: in forming laws relevant to the holding or transfer of land and natural resources the Administrative authority should take into account native laws and customs and respect the rights and safeguard the interests of both peasants and future of the native population. No native land or natural resources was supposed to be transferred except between natives, and no real rights over native land or natural resources in favour of non-natives could be created except with consent of the competent authority (URT, 1994: 10). This provision played an important role in shaping land reforms during British rule.

The British adopted the land Ordinance, the major land legislation, in 1923. However the Ordinance did not safeguard the interests of the native population as the Administrative authority was obliged to under the Trusteeship Agreement. Just like the Germans did, the Ordinance declared all lands, whether occupied or unoccupied, as public lands, vested under the control and subject to the disposition of the Governor to be held for the use and common benefit, direct or indirect, of the natives. The British established dual rights of occupancy with different legal status: the deemed (customary) rights of occupancy-including the title of a native or a native community lawfully using or occupying land in accordance with native law and customs (customary law) and; granted (statutory) rights of occupancy granted to non-natives and protected by laws rooted on common laws (URT, 1994: 10 & 11; Shivji, 1998:3). The deemed rights of occupancy lacked legal security enjoyed by the statutory rights of occupancy. It was subjected to the shifts of administrative regulations and land alienation policies to save the colonial economic interests. Moreover, by vesting the radical title in the state, as a way of allowing colonial authority control over land, the Ordinance reiterated the German's fusion of the sovereignty (state power) and property (the land). Furthermore, the conception and declaration of "all land" as "public land" expressed *an administrative rather than* legal relation between the state and that public lands (Shivji, 1998:3&4; URT, 1994: 12).

The distinction between legal and administrative relations underlay the practice of the state in respect of land rights of the indigenous population. It allowed the government to have full powers to deal with land according to whatever administrative policy was adopted. This suited the colonial political economy. So long as the state desired peasant production, the occupants would be considered to have deemed or permissive rights. But when land was needed for the purpose of alienation, the Governor would withdraw his consent and alienate it on a granted right to a settler. Thus, to avoid being bound by law in matters concerning customary land rights, the colonial authority subjected it to administrative regulations while alienation was left to legal institutions (URT, 1994:12-13). It was this dual and syncretistic institutional approach to land reform and management which led to administrative subordination of legal institutions on land management in independent Tanzania.

²⁷ This article was equivalent to Article 6 and 7 of the Mandate under the League of Nations Agreement. The provisions of these Articles were reiterated in the Preamble of the Land Ordinance of 1923. But in legal traditions a preamble is not part of the law, and therefore less binding on the part of the authority drafted it.

(e) **Organization of Production: *The Bureaucratic Model***

Economic production during British rule was mainly organized through Cooperatives and bureaucracy under the native administrative system. Initially, the impetus for Cooperatives, in the form of marketing associations, came from emerging African traders and farmers in cash-crop regions (Kilimanjaro, Mwanza and Bukoba) as a reaction against the unfair marketing practices of mainly non-African (Asian) traders in the free market colonial economy in 1920s (Coulson, 1977: 82; Mporogomyi, 1988:78; Curtis, 1992:513). According to Coulson, these traders were neither typical rural inhabitants nor peasant farmers. They were mainly educated colonial civil servants and traders frustrated by the racial discrimination and indirect rule policies of the colonial government, who found in the Cooperative movement a way to African success in business. The central aim was to benefit from what Curtis called, “the new economics of peasant commodity export” by either integrating with the Asian commercial networks as it was in Bukoba, or driving the Asians from the trade altogether, as was the case in Kilimanjaro. Thus, they developed autonomous bases of power and operated independently of the native authorities (Curtis, 1992:507).

Because the economic logic behind Marketing Cooperatives was promotion of African business through cash-crop production and capitalistic commodity export, which matched with the colonial economic interest, the government encouraged them to take over the marketing of peasant crops from Asian and Arab traders. So, in much of their functions, Marketing Cooperatives were supported by the British colonial policy, which by the early 1930s had identified “cooperative rule” as identical to “indirect rule” the essential aim of both being “to teach some Africans, personal responsibility and development initiative as agents of transformation of illiterate and conservative agricultural majority” (Lugard, 1933 cited by Coulson, 1977: 82).

The bureaucratisation of cooperatives and economic production began in 1923 when the British adopted “a closed credit system” under Credit to Natives (Restriction) Ordinance, which made it impossible for a "non-native" to recover debt from an African unless it had been approved by a district officer (Curtis, 1992:508). Since Africans had no other access to commercial loans it was almost impossible for potential traders to get credit, or to penetrate commercial information networks, without being integrated into the Asian system. As a result, Africans were restricted to the margins of commercial activities and few of them identified trade as their primary occupation. Commerce became a part-time occupation, supplementing the more important business of cash-crop production. In 1932, the government passed the Cooperative Societies Ordinance to reorganize and regulate production and commercial activities of Cooperatives. Under the Ordinance, the government reorganized cooperatives into administratively controlled “primary societies” operating within a single channel government-controlled marketing system. The government subsumed independent African Cooperatives into the bureaucratic system (Curtis, 1992:513-514) marking the beginning of bureaucratic model of economic organization.

Curtis described the model as highly bureaucratic with overwhelming administrative regulations and control which transformed Cooperatives into vehicles for promoting greater involvement of government officials in peasant production. They became government means of controlling strategic produce markets and infiltrating peasant production, as a way of “capturing” them (Hyden, 1981; Curtis, 1992:515). The model was adopted elsewhere in Tanganyika, and Cooperatives became nothing more than

transmission belts of official agricultural and marketing policy. In some places, cooperation was founded solely on official initiative and had no purpose other than establishing regulated markets. Thus, Cooperatives became government initiatives rather than voluntary organizations of buyers and producers. By the end of 1930s Cooperatives had turned into instruments of government economic production (Curtis, 1992:515-516). Guided by bureaucratic calculus of colonial production and market regulation of peasant cash-crops, Cooperatives became institutions of State-based accumulation rather than local development.

Cooperatives became associations of emerging African capitalist groups by a combined process of African initiative and colonial co-optation (Curtis, 1992:515). Thus, organization of production through Cooperatives was capitalistic in nature, dominant in cash-crop producing areas and aiming at promoting cash-crop production through marketing cooperation. Although co-existing uneasily, cooperatives and the state bureaucracy became the key institutions of the colonial economy and exercised some control over peasant production via the marketing system. Despite being controlled by the government, Cooperatives were left to operate in their natural setting in cash-crop regions. They evolved not as primary (grassroots) societies, but as intermediary associations covering large part of areas and serving between peasants and primary societies at local level and colonial government and trading companies at national and international level²⁸. Just like cooperatives, the colonial government allowed for the lower level bureaucracy to purchase crops from the farmers and Cooperative primary societies within a framework of “state-controlled marketing system” (Coulson, 1977: 83). Throughout colonial period, the development of Cooperatives and commercial peasant agriculture remained a rare phenomenon in non-cash crop producing parts of the country.

As discussed earlier, like Cooperatives, Local Authorities emerged and later incorporated into the colonial system of organization of production as important institution in development. The governments promoted Local Authorities as administrative control units and Cooperatives as economic production organization units, particularly in cash crop producing areas. So, the two institutions became important instruments in the organization of production in the colonial economy.

(f) Social Group Formation and Relations

The impact of colonial rule and its institutional development and patterns of economic, political and social sectors influenced the formation of social groups in Tanganyika. At the core of these influences were the establishment of colonial capitalist market economy (cash-crop farming, commercial and manufacturing activities), Communications and other infrastructural construction activities, administrative services and social welfare services (education and religion). Many social groups were formed reflecting these socio-economic and political changes. As discussed earlier, Cooperatives emerged as a means through

²⁸ For example the Kilimanjaro Native Planters' Association (KNPS) of 1925 consisted of a single organization covering the whole mountain (it later expanded to include Meru and the Pares as well). Even when KNPS was transformed into Kilimanjaro Native Cooperative Union (KNCU) in 1932 and the Government insisted on a structure with at least one separately registered primary society in each chiefdom, it still maintained its intermediary institutional character. In a similar way, the Victoria Federation of Cooperative Unions in Lake zone -Mwanza, was organised on the basis of individually registered primary societies of not less than 500-600 members (see Coulson, 1977: 83). At the time of independence, the Bukoba Native Cooperative Union was the sole legal market for Bukoba's coffee, one of the country's most valuable exports (Curtis, 1992:505)

which African farmers and peasants protected their interests against the foreign dominated marketing groups in cash-crop areas. Like trade unions, co-operatives provided a forum for the airing of political grievances of the peasantry. In general, four social groups can be identified (Table 4.1).

Table 4.1: Different Social Groups and Status in Tanganyika

No.	Social groups	Status
1.	Big Commercial Social Group- (BCSG)	These were big cash-crop farmers, traders and miners and private capital owners. They were predominantly Europeans and some Asians, some big commercial and manufacturing entrepreneurs (sisal processing or general agricultural product processing plants and local as well as international trading activities). They were by in large, a minority group.
2.	Petty Trading and Artisanal Group (PTAG)	These were predominately Asians engaged in small and medium trade activities based mainly in urban areas.
3.	Urban middle "class" or social group (UMSG) ²⁹	These included men and women in such middle-rank positions in the colonial civil service as teachers, clerks and medical and veterinary assistants, and a small number in similar positions in the private sector. A small number of self employed Africans running small business such as retail shops or trucking firms was also part of the group.
4.	Poor Urban-Workers and Rural Peasants (UW&RP)	The poor urban wage earners composed of skilled and unskilled workers in agricultural processing plants, mines, communication and other infrastructural works and private socio-economic activities. The poor rural peasants were those in subsistence crop production and pastoral activities. These were the majority and the most disadvantaged group within the colonial social, economic and political institutional setting.

Source: Pratt 1976:22; Tangri 1985:84)

These groups shared some characteristics which included: heterogeneity, segmentation, separatism, internal instability, and lack of self identity and common consciousness as a single unified interest based class. They were, as Tangri (1985:84) put it, more "social groupings" than "social classes". The same social groups continued in Tanganyika after independence, with only some changes in composition and shift in their power relation as a response to institutional reforms.

4.2 Post -Colonial (Independence) Period (1961- 1987)

4.2.1 The Immediate Post-Independence Period (1961-1966)

Tanzania's institutional development immediately after independence was complex and rapid. After independence, it adopted a parliamentary system of government largely inherited from its colonial past as informed by the Tanganyika Order in Council of 1961. The structure of government was not different from that of the colonial period. The only difference was that cabinet members were drawn from parliament rather than appointed.

(a) The Political and Administrative System

Two fundamental changes occurred in 1962. The first was establishment of political representative structures in regions and districts headed by central representatives called

²⁹ Most were town people living apart from their tribal area though often still closely associated with it. Pratt argued that, members of this group saw that wealth, status and influence in their society were very largely in European and Asian hands. They were searching for ways to acquire these advantages for themselves. The common element in their various activities was, as Iliffe quoted by Pratt (1976) had observed, a concern for self-improvement. Therefore, as their aspirations widened to include their fellow Africans, they came to see that many of their objectives could best be pursued by coordination of their efforts. The African Association (AA) founded in 1929, and transformed into TAA in early 1930's, was a product of that recognition.

commissioners. They were created as structures of control of local politics and linking local administration to central government (Bates, 1962:447). The second change was transformation of political system from predominantly monarchical parliamentary form of government to republican government and the subsequent creation of “the Presidency” as a strong central structure vested with all executive powers (Duggan and Civile, 1976:60). The presidency inherited most of the powers, functions and duties which were under the Governor-General's arrangement³⁰ and became the chief executive structure of the government with power to hire and fire. It was also charged with responsibility for building an efficient civil service, capable of making, interpreting and giving effect to all policies. From April 1963, it assumed power to impose taxes without previous approval by the Assembly, provided that the latter was notified and did not disapprove within six weeks (Bates, 1962:448 & 523). The creation of the presidency acted as an institutional protection of the executive and bureaucrats from Parliament, and a move toward control of the latter by the former.

In terms of administrative system, Tanzania inherited the colonial bureaucracy predominantly controlled by British expatriates. As a result, the government faced pressure for Africanisation of the civil service, to make it look more African, reflecting real independence and, to change its negative colonial image and restore public faith and support for its development tasks. Under these circumstances, the bureaucracy began to expand in structures, manpower and functions. Given the historical context of the rule of administrative services in colonial Tanzania, with control of development information, important position it held as well as its indisputable functional responsibilities, the bureaucracy came to dominate socio-economic and political development in the country. Essentially, just as colonial rule was by nature and functions bureaucratic (Holmquist, 1979:133) so was the independent African rule. Tanzania was created as a country run by bureaucrats and their dominance in socio-economic and political development during colonialism informed similar desire and tendencies after independence. The only difference was a call for the bureaucracy to be controlled and run by the Tanzanians.

Africanisation had an impact on the nature, character and functional capacities of the bureaucracy. The melding of the civil service with the party machinery permitted the former to take an active role in politics. There was constant interchange between the civil service and party positions, with little consideration to skills and expertise. It also rapidly expanded in structure and functions. The bureaucracy became pro-party and efforts to keep political and administrative matters separate by government leaders made things more complicated (Bates, 1962:462). Furthermore, an attempt was made to establish an independent local government system, parallel to the central government structures of regional and district commissions. Local governments were also left to assume some powers of taxation and responsibility for local services as way of turning them into statutory local councils. Unfortunately, local government structures were fused with the central administrative system and local party (TANU) structures. This made it difficult to keep the state and party structures separate, undermining the power and autonomy necessary for proper and effective functioning of local government. In practice therefore, Africanisation affected the efficiency of the bureaucracy, while consolidating its control over socio-economic and political development.

³⁰ The president became the head of State and Commander-in-Chief of the Armed Forces who was to be elected by universal suffrage and, therefore, claimed to be much more responsible directly to the public electorate (the Citizens as Voters) than to parliament (just a political institution made up of elected individuals representing constituency interests).

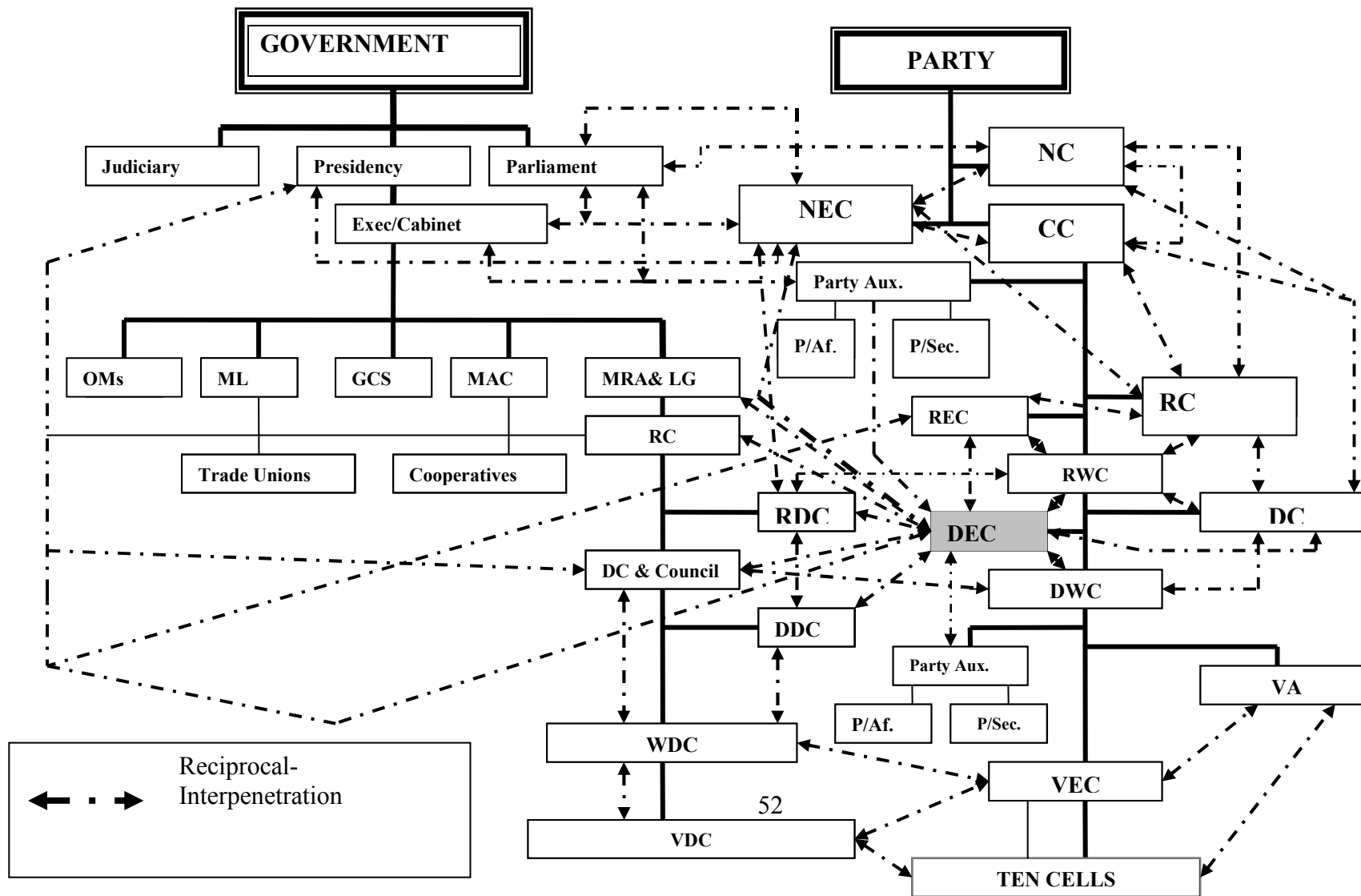
(b) The Formation of One-party State

Tanzania got independence through electoral processes with TANU as a dominant political party, subjected to little party opposition. After independence, TANU transformed itself by expanding and consolidating institutional posture at national apex while establishing its base at village and family level. In an attempt to correct the weakness of colonial administrative system, which put emphasis on national and intermediary institutions at the expense of grassroots institutions, TANU gave little heed to intermediary institutions. Therefore, while colonial rule undermined grassroots institutions, TANU abolished intermediary institutions creating a gap between national and grassroots levels.

TANU's governing, administrative and other associational branches were consolidated at national and village levels of the country's political hierarchy, with the district level acting as information exchange "chamber" and a meeting point of the two. At each level there was an executive committee and an annual conference. At national level the highest body was the party annual conference charged with approving decisions made by the national executive committee of the party. Below was the National Executive Committee (NEC) responsible for major policy and decision making, then the party's Central Committee (CC), a party bureaucracy charged with day-to-day administration, appointed by the party chairman whom the annual national conference elected. Most of these structures were replicated at lower levels from regional to village.

In terms of policy and national decisions, NEC was the most important body. TANU developed representative and administrative structures more or less operating in the same way as those of the government: the NEC acted as a National Assembly (legislature) and all members of the Parliament were NEC members. The Central Committee (CC) functioned exactly like the central government bureaucracy with branches at regional, district and lower levels. When Tanzania modified its constitution to make it a *de-jure* One-Party State in 1965, TANU introduced the "ten cell system" into its structure. Designated as a group of approximately ten houses, grouped as a basic organisational unit, a cell was an institutional means of improving and consolidating TANU's administrative and political control of society (Duggan and Civile, 1976:65) and more importantly, its mobilization of resources together with control of all socio-economic and political development at local level. Later, almost all these party structures, from national to "ten cell" level, were fused with central and local government structures at every corresponding institutional level. The new system functioned in such a way that TANU was in government and the government in TANU and the government behaving like TANU and TANU exactly like the government. In fact for most ordinary Tanzanians, TANU was the Government and the Government was TANU. It was institutional confusion. Policies, and major development decisions, were introduced to the public as made by both the Party and Government authorities at the same time, while leaders introduced themselves as both government and party officials. Statements like: this is "the government and party decision", "according to our party and government", "on behalf of the party and the government", "as party and government officer..." etc. became common. The pertinent point is that, with the declaration of Tanzania as a republic in 1962, and adoption of one-party Constitution in 1965, not only did TANU become the dominant institution, but it also assumed an enormous role in policy and decision making.

Figure 4.3: TANU-Government Interpenetration



(c) The Legal System

Tanzania inherited a legal system based on English Common law system. The Tanganyika Order in Council of 1961 provided for a first Constitution of Tanzania. However, legal reforms took place quickly to replace the Constitution and repeal legal institutions and praxis created during colonialism. One challenge faced by the leaders was to redefine the role of customary legal institutions. Customary law as a decentralized and separately administered set of institutions seemed unfit to serve the needs of a Western-educated urban elite and increasing economic specialization. There was also a fear that the diversity of customary institutions would create ethnic factionalism and act as a disincentive for numerous tribal groups to remain loyal to the nation if incorporated into an unreformed legal system. This called for the unification and codification of legal systems.

Three legal reforms took place. One was adoption of the republican constitution in 1962, which made changes to the government system but maintained a capitalist market economy as the dominant system. It also separated the State and Party constitutional status.

The second reform was the unification and codification of the country's sets of customary law, which resulted in the Local Customary Law Declaration of 1963-an "indigenous common law" reflective of the country's diverse traditions (Chirayath et al., 2005: 14; Allott, 1969:15, 1984:57; Bierwagen and Peter,1989: 400). The government passed the Magistrate Courts Act of 1963, to incorporate formerly native courts into the national judicial system and later a legislation requiring that "lay judges" consult with at least two "assessors" drawn from the local pool of village elders. It put to an end the common colonial tendencies of administrators' involvement in adjudication of cases. The government also did away with the separate court system established by the colonial authority on the basis of the colour of the litigants by introducing a single three-tier court system composed of the primary court at the bottom, followed by the district court (which included the resident magistrates' court), and the High Court at the top. Hence, the subject of the suit and not the colour of the litigants became the determining factor in deciding which court to apply to for relief (Bierwagen and Peter, 1989: 400).

However, while unification and codification of customary law partially resolved community concerns, judges still retained ultimate control over rendering judgments, and as a result, the new legal institutions were often rejected or avoided by local communities, which established informal mechanisms of dispute resolution based on traditional practices (Chirayath et al., 2005: 14). The people's disapproval of the formal (Western based) judicial system and consequent growth of informal (African customary) dispute resolution systems forced the government to pass an additional law, establishing village Arbitration Tribunals for reconciliation mostly run by elders faithful to the local party. In a climate of liberalization and increasing lawlessness in the mid 1980s, the Arbitration Tribunals were placed under the control of local administrative officials and renamed Ward Tribunals. They were managed by district-level government administrators and were not part of the judiciary, though cases could be appealed to the primary courts. So, just as during colonialism, customary courts were subjected again to administrative control.

Moreover, by adopting the republican constitution, the government introduced a civil law system forcing it to coexist with the common law and customary law system. Thus, it

created a kind of “a hybrid-tripartite legal order” composed of three incoherent legal traditions (Table 4.2)

Table 4.2: Key Characteristics of Common Law, Customary Law and Civil Law Traditions

No.	Key Aspects	Legal systems		
		Common Law	Civil Law	Customary Law*
1.	The Origin	The Common law or judge made law's origin is the customary law of England developed and evolved through case by case decisions of a judiciary independent of the state	The Civil law and code-based law are based on written codes handed down by the state.	Evolved out of the experiences of traditional conflict reconciliation and resolution practices
2.	Adjudication Procedure	The common law is based on the private enforcement of rights by those affected by a breach of law, adversarial trials and, originally juries.	The Civil law system is often based on prosecutors; the system is inquisitorial, with a greater role given to judges, who are less independent (appointed by the state)	The customary law is based on a kind of inquisitorial system in which elders play greater role. Proceedings are made orally and no intermediary persons involved
3.	Judiciary-Executive relationship	At the heart of the common law is the rule of law (in most cases courts are not beholden by the sovereign or executive	In Civil law traditions, the sovereign appoints the judges and in a way blocking them from controlling the actions of the state. It is also argued that in civil law system the executives are more dirigiste and have less respect for the rule of law.	There is inherent fusion between administrative and legal institutions
4.	The Costs of Litigation	The common law is said to have higher costs and uncertainty of litigation , which makes many legal disputes and potential cases settled outside the court or abandoned	In the Civil law traditions, litigation costs and uncertainty are reduced by the state involvement through investigation and prosecution of cases, particularly on the side of the aggrieved parties	Conflict resolution is part of the responsibility of the elders involved and the duty of the society to its members for its survival. So the concept of cost is not the major factor.
5.	Economic efficiency	It contributes to greater economic welfare because it is less interventionist, less under the tutelage of the state, and better able to respond to change than civil legal systems. It leads to a spontaneous order like a free market system and its hidden functioning logic is wealth maximization.	It is effective and has inherent authoritative power. Its method of adjudication is inherently superior to common law because of its low costs, efficient means of ascertaining the facts, and its scope for wealth-facilitating judicial activism. The common law is in the eyes of many lawyers incoherent, irrational and frequently unfair, the nature that makes it share many of the attributes of the free market system.	It is closely related to common law traditions

Source: Veljanovski (2008:84-90); Joireman (2001:571-596). * The characterisation of this legal system is based on Author's own experience and inference from literature

From the foregoing discussion and information presented in Table 4.2, one can argue that it was the Civil law tradition which appealed more to leaders than Common laws. The negative feelings against the common law created by colonialism, its inherent logic of competitive wealth maximization through free market, adversarial trial system, litigation costs and less inclination to administrative control, were added disadvantages in the eyes of leaders.

The third change was adoption of the One -Party constitution in 1965, which declared TANU the sole ruling party. This was the turning point in TANU-state-society relations over major policy decision-making and control of development. The TANU constitution was made an integral part of the State constitution. These changes gave TANU high constitutional status and increased its powers, functions in governmental affairs and in the management of development. Thus, TANU became a constitutional category, whose role in government and development became constitutional and bidding. Any opposition to its institutions, functions, decisions, or leadership at whatever level of the hierarchy, not only constituted disloyalty, but was deemed unconstitutional and liable for punishment. As a way of consolidating its capacity and domination, the party decided to establish its own bureaucracy parallel to that of the government (Okumu, 1979: 52 &55).

(d) Social Group Dynamics

At independence, Tanzania also inherited colonial social arrangements, with a few European at the apex of the hierarchy as owners of major means of production, dominating all major economic and trade and commercial business, as well as control of the civil service as senior and technical staff. Next came the Asians as traders and artisans owning big, medium and small business in urban areas; then followed the new governing elites owning State power; and finally the majority poor workers in urban areas and peasants in rural areas.

With the transfer of power, it was “the middle class” or “the middle status group” as Tangri (1985:84) called it, or the governing elite, that was favoured. State power was transferred from colonial elite to African elite, not to the majority workers or to the peasants. While the middle class and the workers and peasants occupied more or less the same institutional position during colonial rule, sharing the same common feeling of colonial constraints, by occupying state power, the governing elite were elevated into a higher institutional position. They no longer shared the same feelings. In fact, a struggle was now between workers and peasants against the new governing elite, and between the Europeans and Asians against the new State power occupants. Simply put, the transformation from colonial rule to independence set in motion a new struggle of workers and peasants against the governing elite. It was due to that inequality that various social organisations came onto conflict with the government and TANU, leading to the latter co-opting the former as a way of keeping them under control. All trade unions, cooperative movements, women’s and youth associations that become militant after independence were co-opted by TANU, transforming some into party organs or sections while others were integrated into the central government system. They no longer functioned as autonomous institutions advancing the interests of their respective constituencies, but as party and government organs. Their members were transformed into subjects.

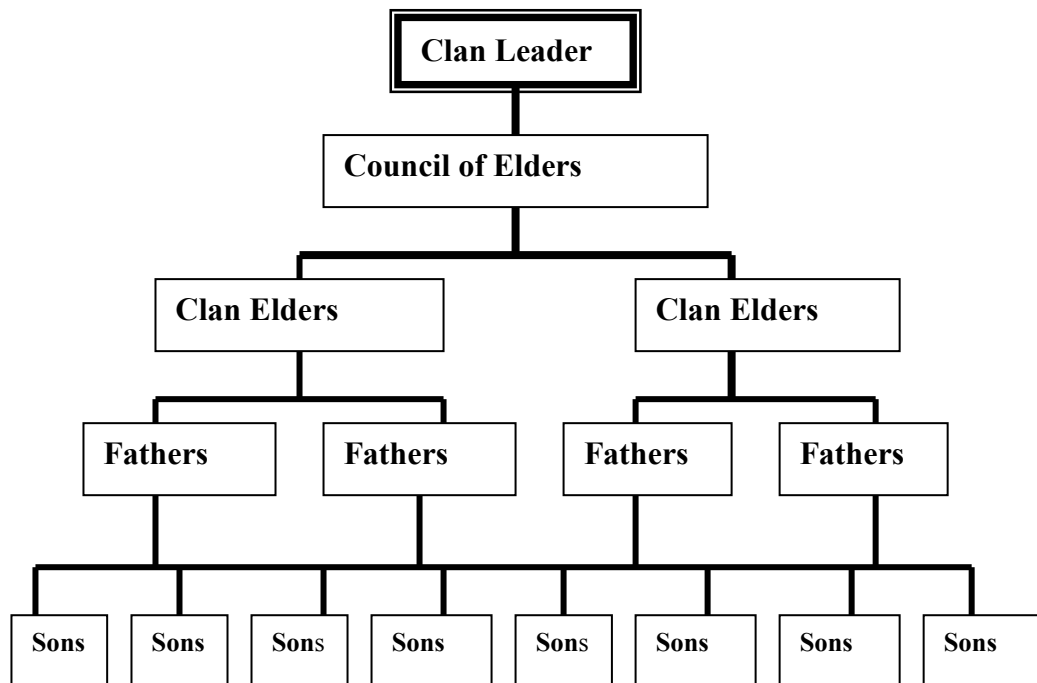
Thus, as part of post-independence state construction, two processes engineered by TANU took place: institutional interpenetration between the party, bureaucracy and civil society and social group integration and depoliticisation of civil servants, workers and peasants.

While at institutional level, there was a tendency towards interpenetration, at political (policy) process level, the desire was for social group separation from politics. The tension between the contending political logics: the need for citizen participation on the one hand, and control on the other, became the central feature of Tanzanian politics and became more vivid during Ujamaa. In most cases, the need for and commitment to citizen participation became overwhelmed by the emphasis on the need for centralized control to maximize political loyalty and utilization of scarce resources. The challenge which remained unresolved was one of increasing the feelings of citizen participation without increasing their input into public policy.

4.2.2 The Ujamaa (*Socialist*) Phase 1967-1985

The period between 1967 and 1985 saw initiatives towards alternative institutional reforms influenced by traditional tribal ways of life. Ujamaa as a form of socialist mode of organization was rooted in traditional values as reflected in Tanzanian tribal structures. Six key aspects of traditional social organization became the founding stones of ujamaa. First aspect was *patrilocal extended family* social organization in which married women took up residence in their husbands' family homesteads and married daughters were counted as members of their husbands' family than of their own families (Appendix 4A). Second, a *clan political organization* led by male elders thought to be wise, skillful and charismatic. He was assisted by a *council of elders* as a key institution for decision making, conflict settlement, resolution and judgment (Figure 4.4). Third, was *social stratification* based on sex, age and generation class system which were instrumental in forming a person's identity, social and political status. According to generation class system, each man was a member of the generation class that came after that of his father and his public position was determined by the level of his generation class. Fourth, an existence of a system of *socio-economic security* in the form of reciprocal help from extended family, free access to land for shifting cultivation and grazing and unlimited number of livestock. Fifth, a *communal ownership of means of production in which the* right to use land and access to other resources rather than ownership was determined by male lineage, and land remained a property of the society. Last, *social status in society* was mutually shared as a symbol of a call to the service of the society and its members. Nobody felt superior to others because of his status and individual status was socially rather than politically defined. A political status was only attained after one had acquired a certain level of social status (Appendix 4B).

Figure 4.4: Clan Political Organization Structure



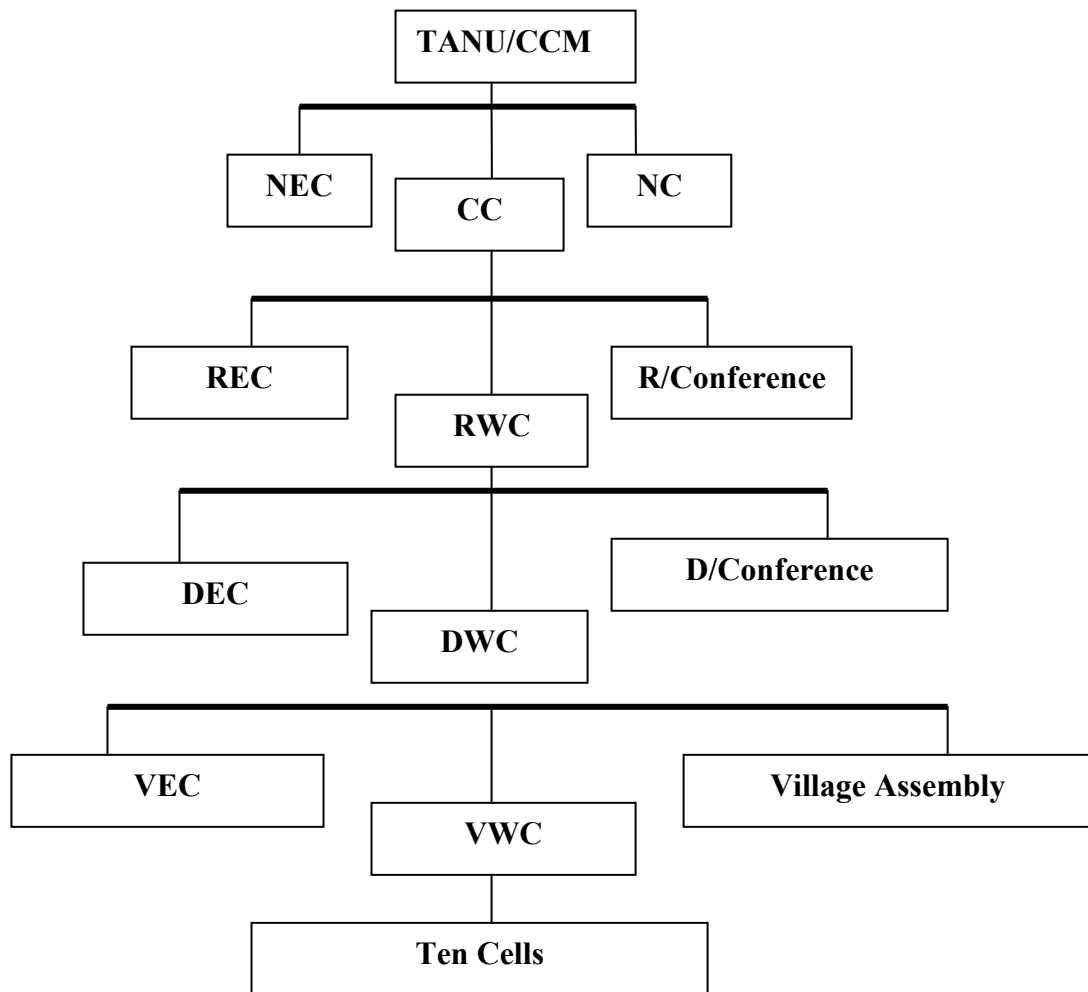
In 1967, the government adopted the Arusha Declaration, a TANU's official Policy document on Socialism and Self-Reliance, which aimed at putting all principles, goals and beliefs of Ujamaa into practice-the creation of "Ujamaa-society". It defined ujamaa as *familyhood* featured by a strong sense of communal spirit and mutual responsibility as the basic principles of traditional extended family. Thus, ujamaa was to be founded on principles of human equality; communal ownership of major means of production; a classless society of equal members free from exploitation; People, Land, Good Policies and Good Leadership, not Money, as the basis of development; and moral leadership free from corruption. These became the guiding principles of political and socio-economic organization.

(a) Political Organization and Leadership

We have discussed key structural characteristics of the government and party in previous sections and there is no need to replicate them. The aim is to identify institutional features and functioning which were adopted as part of transposing tribal structures into modern political systems and processes. The aspects emphasised are: what Samoff (1974:195) referred to as *tripartite structure* and *structural interpenetration*.

TANU was structured to form a *tripartite structure*-three organs and corresponding leadership at every level of organization and leadership from national to village and similar pattern extended to branch levels (Figure 4.5). The party institutions paralleled those of the government at each level of its organization.

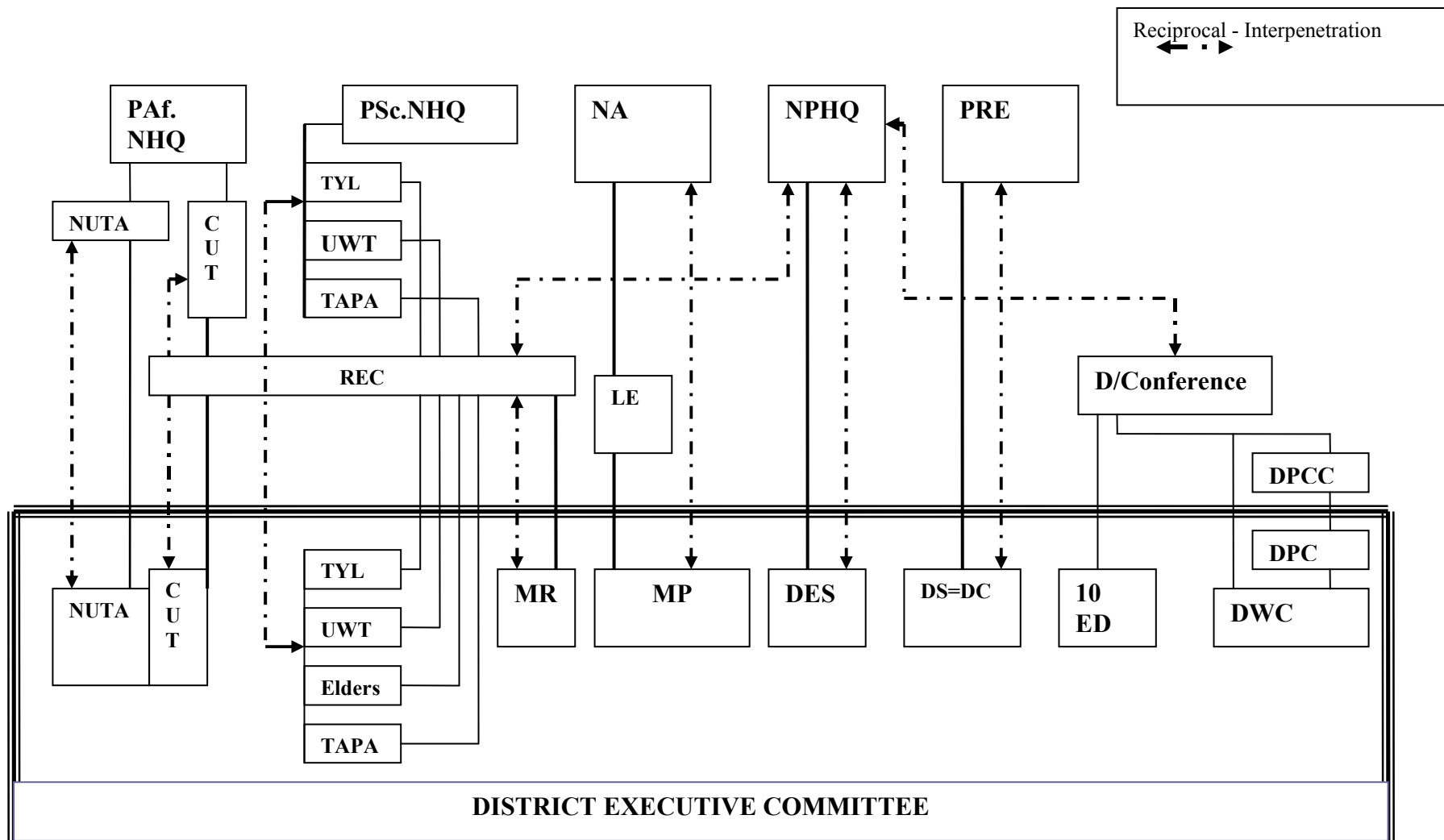
Figure 4.5: TANU Tripartite Structure



The, tripartite structures and leadership provided structural links and interpenetration between the party and government. Though they were distinct, the overlap between them from national to village level was substantial. For example, Members of Parliament were delegates to the Party NC and NEC, while Regional Commissioners sat in Parliament and the NEC.

The Regional and District Commissioners served as government and party officials in their areas of jurisdiction. The Regional Commissioner, a presidential appointee, was responsible for all government activities at the Regional level, serving as the “proper officer for District Councils within the Region, he/she presided over all meetings of Regional Development Committee (RDC), and by virtual of his/her appointment, automatically became the regional “political” Party secretary, working with a regional “executive” Party secretary appointed by Party headquarters. The District Commissioner, also a presidential appointee, was in charge of business in the district and a chairman of the District Development and Planning Committee (DDPC). The TANU District Chairman served as Chairman of the District or Town council, thus holding both local government and party posts. A council chairman had to work with District commissioner as his party secretary, while the latter had to work with party executive secretary as his assistance. The party executive secretary worked with the District commissioner as his government official in the area.

Figure 4.6: Schematic Representation of Linkages within the District Executive Committee



At the bottom of the tripartite structure was the *TANU cell*-the replica of traditional tribal extended family. A cell was the lowest party structure which linked government, party and people at grassroots level. It was under a local leader elected by all adult members of the ten families, which constituted a cell. Cells were established to facilitate communications between the mass of the population, and the leadership at village, district, regional and national levels. It was also charged with the tasks of managing party maintenance, to assist in maintaining security, and to mobilize people for development purposes. Along the above responsibilities, cells were grassroots institutions for dispute settlement and conflict resolution. Cell leaders (most of them male elders) were responsible for dealing with disputes and conflicts in their respective cells and it was only when resolutions failed, the case was referred to TANU Elders' Council. It was the elders, under cell leaders, who controlled resources and made all major decisions about resource allocation and other socio-economic and political affairs of the cell. It was a social, economic and political structure operating on traditional tribal extended family basis in which male elders controlled resources and principal means of production, and made all major decisions. The Village Development Committee (VDC) which attended by village party and government leaders constituted largely of the local ten cell leaders leading to a formal merging of the party, government and society. The cell, therefore, was the lowest level of political structure which provided the point of contact between the people, party and government leadership in the country (Samoff, 1974:135-136).

However, the desire to transpose tribal values, principles and institutions led to interpenetration accompanied with problems that contravened the objectives of Ujamaa. While institutions that aggregate interests were numerous and diverse, interest articulation was largely confined to party structures. That is, while a wide range of groups –trade unions, women and youth organizations, co-operatives and the like- merges diverse demands into recognizable alternative course of action, communication of demands and proposed courses of action to decision-makers at the centre was confined within party structures. Many of the interest groups were party auxiliaries reinforcing this pattern.

Institutional interpenetration was also instrumental in what Samoff (1974:164) called "*mobilization of bias*³¹". A proposal to any course of action in opposition to TANU's belief of what was desirable, could only be mentioned in private discussions and never rose in public. Ujamaa inculcated societal sentiments and values which excluded or set substantial obstacle before individuals as well as issues. In many cases, any person championing private property or capitalist kind of socio-economic undertaking received severe community disapproval because of its acceptance of immorality and illegitimacy of capitalism. Therefore, many ideas alternative to Ujamaa were excluded from the decision-making process.

Institutional reforms under Ujamaa was also motivated by the need for leadership morality with emphasis on leadership that refrains from capitalist motivated acquisitive individualism and commits itself to human equality and dignity which were considered necessary for public good. As a result, a leadership code of conduct was adopted prohibiting anyone in a middle or senior rank position in either the government or party from engaging in the following five activities associated with exploitation: (1) holding shares in a private company; (2) being a director of a private company; (3) receiving more than one salary; (4) owning one or more houses which are rented to others; and (5)

³¹ Mobilization of bias refers to the ways in which prevailing community sentiments and values rendered it difficult or even impossible for some issues and some points of view to enter decision-making structures.

employing others to work for him. It was believed, living on the labour of others was exploitation and morally wrong. The activities prohibited, aimed at denying all leaders any opportunity to exploit fellow citizens. They were forced to accept that, surrender their personal possessions and remain leaders.

There was a great deal of discontent over the leadership rules. According to Pratt (1976:238-239), many members of the political and civil service elite expressed unhappiness over these restrictions on their earning activities. It was a threat even to the socialist project itself. Now, nationalisation and adoption of the leadership rule triggered institutional compromises and sacrifices which proved necessary as a means of appealing to the elites' negative reactions to socialism, but which unfortunately, became source of the evil that the socialist project wanted to prevent: leadership individualistic material acquisitiveness, immorality and corruption. He identified two compromises: (a) leaders were allowed to transfer ownership of property to a trust they could set up in the name of their children. This meant investment in property, whose purpose was to provide for the future needs of a leader's children was permissible; (b) the compromise limited the ban on the employment of workers on a permanent and full-time basis. This permitted leaders in the rural areas who were also substantial farmers to continue to employ casual labour in periods of peak need.

(b) TANU's Social Organization

The party was organized like a traditional tribal extended family, with four tiers below national headquarters: regional, district, rural (or local) and cell levels (See Figure 4.7). Apart from this national organization, TANU had two other categories: *the Party Section groups and Party Affiliate groups*.

Party sections, were, the TANU Elders, Women Organization (UWT) and Youth League (TYL). As senior members of "*the TANU extended family*" TANU elders held various positions in local party and government offices and became key actors in decision making. They were often considered to have the right to leadership as "*taifa la leo*" meaning "the nation of today" and in most cases, major policies, strategies and programmes were explained first, to them before they were subjected to public actions. UWT, with pressure from the elders³², was mainly confined to "*domestic reproductive roles and political mobilization, thus reversing women back to their traditional domestic roles common in most patrilineal societies in Tanzania*". From the logics of traditional tribal extended family organization, TYL represented the lowest generation class which was a preparatory stage for manhood and for future active leadership role in society³³. It was considered a group of immature people to be entrusted with national political leadership positions and was commonly referred to as "*taifa la kesho*" meaning "*the nation of tomorrow*" as opposed to Elders. As a result their role and participation was confined to their party section and reduced to mere instruments of the party, government and political leaders. Structurally, each of these sections had an administrative counterpart at national, regional, district and

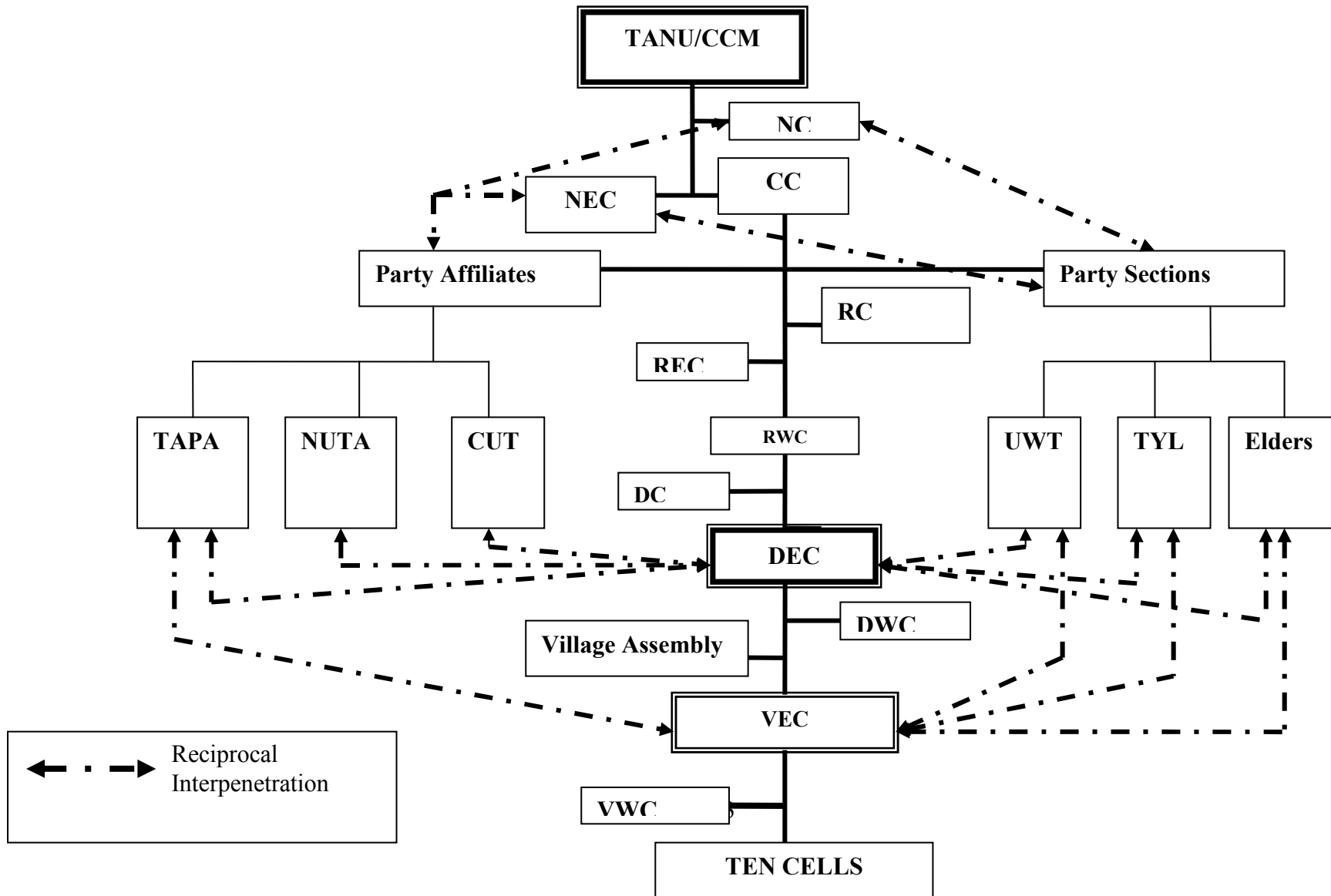
³² Men accused politically active women of disrespecting or a shaming their husbands by attending TANU meetings despite the warnings not to do so. In some places, men were clearly hostile to women's participation beyond attendance at mass rallies, and there were elders who initially complained that it was wrong for a woman to address men and in some areas men closed down the women's TANU section. As the tension grew, endangering unity between men and women in the party, UWT leadership had no option but to accommodate men's insistence that women remain under their control and that it was necessary that women should be eligible for employment, but a married woman should not be allowed to work in the party without her husband's consent. It was particularly insisted that, UWT should not accept a married woman to work in TANU without receiving a letter from her husband after seeking his consent (see Geiger, 1982: 48-49).

³³ It is important to remember that, the concept "youth" was associated with "young males – boys" as "young females-girls" were defined as Women and associated with UWT.

village levels and operated alongside the party and government structure. The party cell structure organized below the village party branches linked family members to party branches and to these party sections.

Along with party sections, TANU had three affiliates namely, the National Union of Tanganyika Workers (NUTA), Cooperative Union of Tanganyika (CUT), and the Tanganyika African Parents Association (TAPA). With the exception of TAPA, which had branches up to village level, NUTA and CUT organizations were confined to areas where many members were found, and their organization and activities ended mainly at district level. As social groups, they were deprived of their freedom of associations and expression of their grievances as independent groups representing interests and plan of actions of their members which could be alternative to that of the party and the government and therefore, facilitate socio-economic and political development of the country.

Figure 4.7: The Organization of TANU's Extended Family



(c) Resource Management and Organization of Production

The government inherited, virtually unaltered, the legal framework on land tenure from the colonial period. All lands declared to be public lands were vested in the President in place of the Governor. The statutory control of resources (land) reached its climax in the first half of 1970s following the adoption of Villagisation policy, which not only changed profoundly the legal framework of land tenure in rural areas but also entrenched even deeper the bureaucratic control of land. The system removed land tenure from the domain of customary law by assimilating it in the statutory rights of occupancy under the supervision of administrative organs of the government. The perceptions and practices of the people on land tenure embedded in their customary systems and their associated rights were disregarded (URT, 1994:42-44; Shivji, 1998:6&13). According to Shivji, villagisation in effect meant expropriation of customary rights and compulsory acquisition of land under customary law, implying that customary occupiers did not occupy land as a matter of their rights but as a favour through Presidential (administrative) discretions under the slogan "*ardhi ni mali ya taifa*" (land is the property of the nation). These reforms reiterated legal institutionalization of administrative based accessibility to land without ownership and struggles between common, statutory and customary legal practices of land resource management.

In terms of organization of production, the government saw cooperatives and local authorities as institutions through which the benefits of development could spread to the population. While Cooperatives were regarded as the most important rural institutions for introducing socialism to farmers (Mporogomyi, 1988:78; Samoff, 1989:5), Local Authorities were considered legitimate administrative intermediaries and representative organizations of local politics, mobilization of labour, transformation of agricultural practices, regulation of commerce, and management of social services. However, the autonomy of these institutions posed a challenge to the legitimacy and authority of central government and interests of governing elites: the need to create a central unit of authority to direct national development; to abolish ethnic (tribal) divisions and maintain national unity; reduce regional inequalities and capitalist exploitation; establish socialism and ensure compliance to national policies. So, the assertiveness and autonomy of these institutions became a source of challenge to the development agenda of the central authority (Samoff, 1989:5 &6).

After Arusha Declaration in 1967 and Villegisation in 1975, Local Authorities and Cooperatives were accused of being economic and political power bases of the rural rich farmers, inefficient, and promoting local interests at the expense of national policy. The TANU leadership saw this as a threat to the Central Authority and socialist nation building. As a measure against exploitation, institutional reforms were adopted to restrict capitalistic practices by destroying institutions which supported the emerging African entrepreneurial business class and rich farmers (Maghimbi, 1999:80). Thus, the very role-the aggregation and expression of local interests-for which many Cooperatives and Local Authorities were created and regarded as pillars for the nationalist demand for independence became illegitimate and a threat in the Ujamaa era.

The adoption of the Ujamaa Villages Act of 1975 abolished Cooperatives and their functions were transferred to villages that were legally organized as Cooperative Societies. Through political and bureaucratic pressure, Ujamaa Village Cooperatives were formed even in areas never existed before and without local demand or understanding (Coulson,

1977: 85). As economic units, they had to receive financial support from regional development funds under the principle of collective production for the state and equal distribution of the results by the state. In 1976, the Cooperative unions were also abolished and replaced by state controlled Crop Authorities (Yeager, 1982:86; Mporogomyi, 1988:81). After 1972, local authorities were abolished and their responsibilities assumed by central government through regional and district authorities. Hence, both Local authorities and Cooperatives became subordinate to, and dependent on, the regional and national administration.

The new institutional setting created the district as the operative level for the administration of Village Cooperatives, and district officials thus became the main initiators of new development schemes. The centralization tendencies subjected village cooperatives into dependence of resources and decisions from district, regional and national authorities. Thus, while it was intended that the Village Cooperatives should be voluntary and independent, there remained a high level of bureaucratic control which turned them into institutions of controlled production (Picard, 1980:445). This led to concentration of government staff and administrative regulations behind the Ujamaa Village Cooperatives in an effort to direct and monitor development activities in line with national policies and principles of Ujamaa.

Finally, a bureaucratic model of Statist-accumulation from above, which depended on mobilization of privileged connection with the State and coercion and plunder from peasants (Neocosmos, 1993), was created. Under Ujamaa, the model was presented as “public resource accumulation” for collective responsibility and communal benefits. The model was characterized by accessibility and production without ownership of the means of production and the surplus. So, because agriculture was the major economic sector and land the major means of production, the government developed what can be termed as “state feudalism and landlordism”. But state-landlordism co-existed with communal-lineage mode of production. Put differently, there was state-directed collective production through village cooperatives and private family-based communal mode of production. So, there were a *de-jure* statist-communal mode of production and *de-facto* family-communal mode of production. The former was for state accumulation, the latter for family subsistence. This is not to suggest that state accumulation did not contribute to the subsistence needs of the rural population or that subsistence production did not assist state accumulation. But the point is that, the functional logic of their supporting institutions presupposed the existing of a differentiated interest and objectives of the two systems. The tendency was that, resources were transferred from production areas to the State machinery and thus, individual or collective advancement required State contacts. State contacts entailed existence of political and administrative network between the politicians and bureaucrats at national level and elites at local level. This was more advantageous to enclave economic zones which, because of ecological and historical privileges, had many representatives in the State. So, the Ujamaa organization of production reinforced accumulation and inequality from above and dispossession or impoverishment and equality from below. That is, accumulation and equality by dispossession. This induced what can be called “negative development”. That is, a production without organic self-sustainable wealth accumulation necessary for socio-economic security and independence that is self-regulated by what the community enables each individual to afford.

Under Statist-accumulation, Village Cooperatives were directed and encouraged by government to produce strategic food and cash crops without a guarantee of ownership and control of the value of their produce. This system tended to concentrate on state interests of

wealth accumulation at the expense of the peasants (Mporogomyi, 1988:71). Redistribution of the benefits of Village Cooperatives was dictated by the bureaucrats at national level. They could allocate the benefits from the production according to what they saw as national priorities. Moreover, because cooperatives developed in enclave economic areas and statist-wealth accumulation depended on cash-crop exports, it became clear that government incentives to stimulate production were biased in favour of these areas. As a result, organization of production through bureaucratically controlled cooperatives and the redistributive policies of Ujamaa ended up perpetuating regional inequality and insecurity.

The changing organization of rural production and administrative order had implications for accessibility to resources and peasants' commitment to engage in production. As noted earlier, Village Cooperative production was developed without looking into historical realities of the evolution of Cooperatives and the negative feelings of peasants against bureaucracy. Cooperatives emerged as intermediary marketing institutions in "colonial enclave economy" influenced by geographical differences. They were not necessarily formed as primary societies for collective production and were less known in non-enclave economy. So, the transformation of Cooperatives into some forms of socialist (collective) socio-economic Village Cooperative Societies embedded in the administrative system was abortive. While they were in tension with the institutional and economic logics of enclave economy, Village Cooperatives found no roots in non-enclave economy. As a result, they turned into instruments of local resource exploitation for state-accumulation and bureaucratic elite reproduction (Shivji, 1976; Boesen, 1976 and Leonard, 1976 cited in Coulson, 1977:95). While Cooperatives and the bureaucracy became central in the organisation of production, the former was put under the control of the latter creating institutional conflicts which undermined rural development. It was this which led to the controversial restoration of Cooperatives and Local Authorities in the early 1980s (See Chapter 8).

4.3 The External Institutional Context of Poverty Alleviation

International development policies on poverty have always been concerned with the question in political economy of how best can production and distribution of wealth and other necessities of life be organized in the society (Snooks, 1999:126-127). It is this question of what is the best way for effective wealth creation and distribution that has historically, ignited debates between state and market-centred development doctrines.

(a) The Keynesian Consensus (1960s and 1970s)

The primacy of the market and its role as engine of production and distribution of resources dominated development thinking until the mid 1940s when the great depression spawned the Keynesian revolution. This shift in development philosophy coincided with the end of colonial rule and the emergence of independent states. It was a period in which these states began to evolve from symbiotic to inward-looking growth and from dependent to more independent relations *vis-a-vis* ex-colonial powers (Thorbecke, 2000:1). However, the newly independent states did not have a development doctrine that policymakers could use as a guide to the formulation of socio-economic policies. As a result, the selection and adoption of a development strategy depended on the prevailing international development philosophy and opportunities provided by existing institutional order. In most African countries including Tanzania, the Keynesian consensus became the first option after independence.

That consensus emphasised protectionist and interventionist economic policies and promoted extensive government involvement in the economy as the only way of promoting full employment (sic) and economic growth. Based on the belief that escape from underdevelopment and poverty trap could only be engineered through a developmental state (Snooks, 1999:128; Utting and Zammit, 2006:1), along with a functioning private sector and market economy, world leaders began to advocate policies to promote economic growth and development built on social and economic security. While in industrialized world most citizens were protected by social services, transfers and institutions providing a dense network of security, in most of the developing world there was merely a commitment to achieve it in the longer term (Standing, 2004:2)

At international level, the Keynesian consensus was accompanied by what Ruggie (1982) called the “embedded liberal compromises” which allowed for government liberty to organize national life and intervention in development to ensure socio-economic and political harmony. The compromise produced liberalizing practices such as most favoured nation status, non-discrimination and progressive tariff reductions which fostered multilateral liberalism in the international economy. It also allowed a series of safeguards and exemptions and permitted customs unions. Therefore, notwithstanding the quest for full employment and sustainable economic growth through government interventions-which became the main policy objective to newly independent countries-private sector and market economy mostly prevailed in the early years of independence (Lancaster, 1991:46).

The liberty to organize national life extended to independent countries allowed them to exercise certain level of freedom in their domestic development decisions and initiatives. This enabled them to push their agenda for rapid domestic development and redistribution of wealth. Conditioned by the prevailing development philosophy and the cold war, the response of the developed countries to the challenges posed by the new states seemed to work in favour of the latter. For example, although upheld private enterprise and free market economic principles, the governments of developed countries were more tolerant to protectionism, investment control and strong role for the government in managing the economy and supporting limited global redistribution of wealth mainly through foreign aid (Berro, 2002:35-36). It was these circumstances which conditioned the nature of development strategies in developing countries. There was a belief in many countries that State intervention was a legitimate tool of development (Lancaster, 1991:46) and that through formal employment, economic growth and modernization, income and social inequalities would be eliminated (Thorbecke, 2000:4). All these propositions put emphasis on the importance of government intervention in development and viewed growth in developing countries as requiring a large discrete injection of investment which could alleviate poverty and promote economic security.

Shifts in development strategies from industrialisation as the engine of growth and promotion of employment in the 1960s, to rural and agricultural development and basic needs as a way of promoting equitable growth, rural-urban equality and socio-economic security in 1970s in Tanzania were mainly conditioned by the prevailing international development doctrine. A good example was the launch of the World Employment Programme by the ILO in 1969 emphasising that the primary objective of developing country governments should be to raise the standard of living of the poor through increased employment. Governments were urged to engage in generating greater productive opportunities as means through which the welfare of the poor could be improved. The result was a change in the meaning of development to connote a process with triple objectives: economic growth, equal distribution of resources and poverty alleviation. This

is what led many developing countries including Tanzania, supported by donor countries and international financial institutions, to adopt state-driven development strategies with emphasis on public sector, integrated rural development and growth with equity under the basic needs approach. The approach underpinned the international institutions in their response to development challenges and it had elements which coincided, if not informed Tanzania's agenda, institutional reforms and policy changes throughout this period.

Table 4.3: Top Five Recipients of Aid to Africa between 1970 and 1995

No.	1970	1980	1990	1995
1.	Nigeria	Tanzania	Kenya	Zambia
2.	DRC	Sudan	Tanzania	Ivory Coast
3.	Kenya	DRC	Mozambique	Mozambique
4.	Tanzania	Kenya	Ethiopia	Ethiopia
5.	Ghana	Zambia	DRC	Tanzania

Source: Lancaster (1999:40)

The elements included: a massive escalation in the World Bank's resource lending which rose from an average of \$2.7 billion a year in 1968, to \$8.7 billion in 1978 and \$12 billion in 1981; adoption of a global programme aimed at ending poverty by focusing aid on improving the productivity of the poor and effort to split developing countries by picking a few as "countries of concentration" to which the flow of Bank assistance was to be higher than for other countries of similar size and income (Berro, 2002:38). Interestingly, it was during the later part of that period that aid flow to Tanzania increased tremendously relative to many other African countries, indicating that Tanzania was one of the experimental countries (Tables 4.3 & 4.4).

Table 4.4: Total effective development Assistance in relation to GDP for East African Countries, 1978-1997 (in %)

Country/Year	1978-81	1982-85	1986-89	1990-93	1994-97
Uganda	0.94	1.52	3.58	4.83	4.68
Tanzania	6.81	5.69	6.02	5.79	4.49
Kenya	2.22	2.38	2.93	2.98	2.18

Source: Devarajan et al., (2001:13)

Thus, Western aid shifted to poverty alleviation with priority given to projects to develop rural areas, implying emphasis on agriculture (Gibbon, 1992:193). This was also accompanied by a tendency among donors to emphasise redistributive goals while downgrading the importance of growth. In general the emphasis was on state-led-development (Lancaster, 1991:46).

Table 4.5: Total Aid to Tanzania, 1970-1981 (in Millions of U.S Dollars)

Year	Total Aid	Share of Tanzania in Total Aid to Sub-Saharan Africa (%)
1970	37.70	4.6
1971	39.10	3.8
1972	91.70	6.3
1973	155.40	9.6
1974	194.70	8.0
1975	303.30	9.8
1976	257.90	8.9
1977	306.90	9.3
1978	533.10	12.0
1979	557.10	10.5
1980	761.40	11.2
1981	660.90	9.5

Source: Devarajan et al, eds., 2001., p. 291.

Bigsten et al (2001:294) described the period between the late 1960s and 1970s as aid expansionist phase featured by a willingness of donors to extend aid to Tanzania due to the country's development policies. The emphasis on self-reliance and growth with equity, poverty alleviation, targeting of government programmes on basic needs, and emphasis on cooperatives and Ujamaa villages motivated donors to provide aid. They argued that, such policies were in line with the thinking of social democrats in the North, notably in the Nordic countries, Germany (under Willy Brandt), and Canada. These governments took a positive view of Tanzania's strategy. The World Bank also increased its lending programme during this period because Robert McNamara President of the Bank championed a policy of growth with equity that was in line with Tanzania's development strategy (Bigsten et al, 294-295; Gibbon, 1992:193).

(b) The Washington Consensus (1980s and 1990s)

Towards the end of 1970s Keynesian doctrines gave way to neo-liberal capitalist doctrines commonly known as the "Washington Consensus" which, according to Standing (2004:3), involved 11 policy commitments (Table 4.6). Underlying this doctrine was the belief that the economic crises which hit the developing countries in the late 1970s and debt crisis that erupted in the early 1980s were a result of the failure of the developmental state, interference in the functioning of the market and suffocation of the private sector. Thus, governments in developing countries were not only forced to move out of the economy, reduce their size (structure and number of workers) and re-instate private sector, but also accept less discretionary power over national policymaking and adapt to the dictates of a global model, identified and promoted by the Washington-based international financial institutions (Standing, 2004:3). The shift towards neo-liberal policies became a global trend. Its emphasis on market driven development, economic growth and private sector rejuvenated the primacy of the market as the engine for production and resource distribution while discrediting the role of the State in the economy and society.

Table 4.6: Washington Consensus's key Policy Commitments

Key policy commitments	
<ol style="list-style-type: none"> 1. international financial market liberalization; 2. domestic capital market liberalization; 3. trade liberalization (particularly in developing countries); 4. labour market "flexibility"; 5. secure individual property rights over physical and financial assets; 6. weak property rights over human assets (particularly skills); 7. a reduction in the size and role of the public sector, including privatization of publicly-owned productive assets, and an end to managed trade and industrial policies; 8. a system of taxation that is not only less progressive, but also that shifts taxes from capital to labour, and subsidies from labour to capital; 9. independent central banks (as part of a more general move towards the "technocratization" of economic policymaking); 10. a "social safety net" type of approach to social protection: i.e., more targeting, selectivity and conditionality; 11. Privatization and liberalization of social policy. 	

Source: Standing, 2004:3

This was also the period when the conservative governments (Reagan's Republican government in 1981-1988 in US, and Thatcher's UK Conservative government (1979-1992) came into power. There was also a change in leadership of the IFIs particularly the World Bank when the *welfare technocrat* McNamara was replaced by the *neo-liberal* A.W Clausen. This was the period of triumph of neo-liberal ideology and the fading of

communism and socialism accompanied by drastic ideological change and international reorientation, which left many developing countries, including Tanzania in a predicament.

The dictates of the Washington consensus as a global model and the Bretton Woods institutions as the midwives of economic liberalization led these institutions and their regional associates to interfere with the domestic policies of developing countries using the conditions attached to their discretionary provision of aid as weapon. An example was the structural adjustment programmes (SAPs). Berro (2002:43) defined structural adjustment³⁴ as a new lending approach, which unlike the traditional World Bank project loan, was intended to push for a programme of reform that would cut across the whole economy or a whole sector of a developing country. One of the programmes was market liberalization applied to all developing economies suffering debt crises.

Many developing countries struggled against structural adjustment and stabilization policies proposed by the IFIs in fear of the consequences of policy and institutional reform conditions attached to them. Therefore, the IFIs resorted to the use of aid as a means of enforcing compliance. In 1980, for example, Tanzania rejected the World Bank and IMF reform package because Nyerere's government was afraid of the consequences. Following the breakdown of negotiations, the general view among the donor countries was that aid to Tanzania could not be effective unless the country agreed to adopt the IMF and World Bank's stabilization and adjustment package. By 1983 as a reaction to the refusal to accept the package, aid flows declined (Table 4.7).

Table 4.7: Total Aid to Tanzania, 1982-1996 (in Millions of U.S Dollars)

Year	Total Aid	Share of Tanzania in Total Aid to Sub-Saharan Africa (%)
1982	634.10	9.2
1983	584.30	8.4
1984	534.30	7.3
1985	482.60	5.8
1986	789.60	7.9
1987	751.50	7.1
1988	1,043.60	8.4
1989	842.30	6.7
1990	1,055.60	6.4
1991	1,090.70	6.9
1992	1,158.00	7.2
1993	1,154.50	7.8
1994	927.20	5.8
1995	854.00	5.7
1996	830.50	6.0

Source: See Table 4.5

³⁴ The structural adjustment programmes had the following core demands: radical reduction of the government spending, to control inflation and reduce demand for capital from developed countries, a measure that translated into cutting government spending on basic needs (health, education, water and other social-welfare services); liberalization of imports and removal of restrictions on foreign investment, to make local industry more efficient and competitive; privatization of state enterprises to promote efficient allocation and use of productive resources through free market mechanisms instead of government decree and; cutting or restraining wages and elimination of mechanisms protecting labour such as the minimum wage to remove what were seen as barriers to mobility of local and foreign capital and labour

Ultimately, the magnitude of the crisis, pressure from the IMF and World Bank and bilateral donors, and failure of independent national efforts (mainly due to lack of funds) to revive the economy combined to force the government to adopt an economic recovery programme (ERP I) in 1986, with IMF and World Bank support. It was this interference in domestic decision making that led to Nyerere, while addressing diplomatic representatives to Tanzania in 1980 to ask “When did the IMF become an International Ministry of Finance? And when did nations agree to surrender to it their power of decision making? (Nyerere, 1980). These conditions, Standing (2004:3) argued, were extended to the privatization and liberalization of social policy, thereby accentuating social and economic insecurity. According to him, governments of poor countries lost control over their policymaking.

Another feature of international institutional order during these years was the growing tension between the Bretton Woods Institutions and the UN-System and developing countries on trade governance. As the emerging countries gravitated towards the UN system, the developed countries increasingly relied on the IMF and World Bank to push their agenda.

The escalation of developing countries’ demands for redistribution of global economic power which dominated international forums in 1960s and 1970s, were put to an end by replacing GATT with WTO and then subjecting the latter to undemocratic international financial agencies. While GATT acted as an instrument of trade governance and provided an institutional mechanism for developing countries to push for a New International Economic order (NIEO) and did not interfere much with domestic policies, the rules of the World Trade Organization (WTO) placed constraints on domestic policies. Unlike GATT, which was concerned mainly with tariffs and trade in manufactures, WTO rules covered many issues once considered the sovereign territory of governments, including industrial policy, farm subsidies, regulation of services and intellectual property protection (Standing, 2004:3).

The WTO was dominated by the international financial agencies and big trading powers in setting the trade agenda and determining the outcome of negotiations. According to Standing, this led to what many developing countries claimed as a bias in WTO rules against their interests, including constraints on industrial policy and failure to tackle the huge subsidies rich nations pay to their farmers and industrial corporations. In general, there was a steady move away from what is known as *the Westphalian system*, which granted states jurisdiction over their own territory, to *the new liberal cosmopolitanism*, whereby national sovereignty is limited by institutions of a global order, set up to uphold liberal internationalism based on common legal norms and free trade (Standing, 2004:4). The result was subordination of domestic policies of developing countries to the dictates of global governance through international agencies working in collaboration with bureaucratic and technocratic-elite policy making institutions outside political decision making processes (Chapter 6). By discrediting politics, shrinking the role of the state, enhancing the independent power of technical institutions, such as central banks, other commercial institutions and elite dominated policy research institutions and replacing collective socio-economic entitlements by individual contributions, the Washington Consensus inculcated a sense of powerlessness and insecurity among developing countries.

Based on the belief that public enterprises, especially monopolies, are inefficient and contrary to “free markets” the Washington Consensus advocated economic liberalisation and social policy privatization. So, governments were forced to adopt a mixed social

welfare provision, allowing more private competition where the public sector was once the sole provider, or indulging in some “public-private” partnerships. Once that step was taken, external pressure built up to allow foreign as well as national firms to enter the market. In Tanzania, this led to the state withdrawing from a commitment to provide social protection, leaving people to make their own arrangements. Furthermore, liberalization of economic activities meant transferring opportunities and power to private actors. This was done through removal of trade barriers, market re-regulation and privatization. This transfer of opportunity and power had profound consequences for socio-economic policies during this period. Possibilities for private actors to bypass governments (because they operated outside formal lines of democratic accountability) grew and corruption increased. The challenge was how to expand private sector and enforce compliance to broader national issues such as socio-economic protection.

According to Gibbon (1992:200), one impact of neo-liberal changes was elimination of the question of poverty from the development agenda of most donor countries. Such concerns came to be seen as economically misconceived and politically weak-minded. Throughout this period, if poverty was mentioned at all in the discourse of the international financial institutions it was typically in formations which saw its mitigation arising from “trickle down” effects of economic growth. When studies indicated that poverty in developing countries had worsened under the Washington consensus package, efforts began to persuade the IFIs and the major industrial nations to acknowledge the importance of getting “poverty” back on their agenda under what came to be known as “adjustment with a human face”(Unicef:1987).

Drawing many of its ideas from the World Bank Report of 1980, “adjustment with a human face” was based on the belief that, since the income of the poor grows slower than the average income during the early phases of development, intervention to increase growth needed to be accompanied by measures to raise the income of those in absolute poverty (Gibbon, 1992:201). Policy options such as land reform, new forms of credit, better health and nutrition to improve physical efficiency, better education to raise productivity, transfers and subsidies were proposed. The target was to be in geographical areas where the poor are concentrated and on education and health, especially primary schooling and child immunisation. Macro-level policies to assist vulnerable groups, including increased investment in infrastructure, the productive sector and human capital were also encouraged.

The debate in international fora triggered by the “adjustment with a human face” coincided with growing disapproval of the role of IFIs and their sponsored SAPs which influenced what Gibbon (1992:202), referred to as “inter-donor consensus” on social dimensions of structural adjustment and adoption of what came to be known as the “Social Dimension of Adjustment” (S.D.A) and the Programme to Mitigate Social Costs of Adjustment (PAMSCAD) in 1987-8. The World Bank, together with other donors, began engaging in a programme of activities known as “Social Dimension of Adjustment” (S.D.A) as a pro-poor development initiative (Gibbon, 1992:193). Notwithstanding its rhetorical appeal to the poor, S.D.A remained entrenched in the neo-liberal prognosis or, according to Gibbon, “dressed in neo-liberal clothes [and] philanthropic [façade with little concern for] the question of politically strengthening the poor (ibid.p.201). It was governments that were seen as the instruments of improving the lot of the poor, via the manipulation of economic policy and a battery of compensatory measures. There was no discussion about how the poor could ensure that anti-poverty measures were taken in ways consistent with their interests, and as a long-term feature of national agendas.

Another influence of the Washington Consensus was a global restructuring of the role of regulation and regulations associated with erosion of the legitimacy of neo-corporatist governance, characterized by tripartism and various boards setting prices, wages, incomes, standards and procedures. The tripartite system of decisions through negotiations between collective labour and collective industrial capital were dismantled and statutory regulations restructured in favour of capital (Standing, 2004:18) adopted. The weakening of statutory protective regulation was accompanied by the promotion of voluntary codes of conduct under the guise of corporate social responsibility initiatives as alternatives to statutory regulation. In poor countries like Tanzania where trade unions and other civil organizations are weak, corporate social responsibility initiatives ended up creating unfavourable labour relations. Moreover, the weakening of institutions of protection of *collective labour rights* and growing pretence of protection of *individual labour rights* in a country with weak legal institutions and bureaucratic regulations (see Chapter 7) not only imprisoned *workers to the whims of firms* but also to socio-economic insecurity.

(c) The Corporate Governance and Poverty Alleviation (2000s)

The beginning of the new millennium was characterised by lack of a dominant development doctrine. Many conceptual frameworks alternated between the development doctrines of 1960s/1970s and those of 1980s/1990s with a continuation of the Washington Consensus through other forms³⁵. One conceptual contribution was what came to be known as *the Growth-Inequality Poverty Nexus (G-IPN)*. This viewed growth as a process of transformation characterised by structural and institutional change. The nature of growth depended on the structural transformation and institutional rearrangements within which change took place. According to this line of thinking, growth was a necessary but not sufficient condition for poverty alleviation. The argument was that, growth oriented policies and strategies did not always lead to inclusive growth, but to polarization in terms of widening income differentials at the expense of the poor (Wuyts, 2008:10, 19-20). Inequality was considered to be a filter between growth and poverty. In addition to initial income distribution, the pattern of growth played a fundamental role in their impact on poverty.

At international level, outcry of the devastating socio-economic impact of the World Bank and IMF *Washington Consensus* policy package and the institutional legitimacy crisis of these financial institutions, led to the establishment of an international advisory commission, known as “the Meltzer Commission” appointed in Washington in 1998 to assess the performance of the IMF and World Bank in the two decades of their involvement in the development of developing countries. The Meltzer Commission Report launched a devastating attack on the performance of these institutions. Among the conclusions were that; instead of promoting economic growth, the IMF institutionalized economic stagnation; the World Bank was irrelevant rather than central to the goal of eliminating global poverty; both institutions were to a great extent driven by the interests of political and economic institutions in the then G7 countries, particularly the US

³⁵ According to Standing (2004:5), while there are countervailing forces, it would be a mistake to think that the Washington Consensus has been a fixed set of policies or that it has been ‘discredited’ among those who subscribed to it. It is like a rubber ball. Hit it and it bounces back, with new nuances and buzzwords, such as social capital, safety nets, good governance. The evolution of the Washington Consensus shows paradigmatic consistency. Its essence remains-the promotion of an individualistic, market-based society geared to consumerism, in which collective bodies for universalism and social solidarity have no place..

government and financial institutions; the dynamics of both institutions drove not so much from the external demands of poverty alleviation or promoting growth as from internal bureaucratic empire building. In general, the report seemed to find little value in the Bretton Woods institutions and indicated that the IMF foray into macroeconomic reform via structural adjustment institutionalized economic stagnation, poverty and inequality in developing countries in the 1980s and 1990s (Berro, 2002:93). It was against this background that the rhetoric of anti-poverty reappeared in development policies of the second generation of structural adjustment programmes of the 2000s.

At the World Bank-IMF meeting in the autumn of 1999, the extended structural adjustment facility (ESAF) was renamed the poverty reduction and growth facility. This was followed by adoption of new approach consisting of a move from an IMF centred process that had focused on narrow macro-economic objectives to broader inclusive process that would involve multiple international organizations and give national policy makers and civil society groups a more central role. But the new approach was, to use Berro's phraseology, "suspiciously like the old one". It continued to advocate support for market opening and trade liberalization. Beneath the rhetoric of anti-poverty and human development, the neo-liberal economic model prevailed. As for the PRSP process, the preparation of the poverty reduction strategy papers between the IMF, World Bank and local government officials turned out to be nothing more than an effort to add a veneer of public participation and anti-poverty rhetoric to the same model emphasizing liberalization and re-regulation.

The objectives of development were broadened in this period. Improvement in human development was increasingly seen as the goal. Since a case was made that less income and wealth inequality was conducive to growth and development, equality took its place along poverty alleviation as joint objectives to be reached through growth sensitive to the needs of the poor. The Millennium Development Goals provided a framework for strategic setting and monitoring progress in developing countries in their search for improved living standards. Another objective that informed development strategies was a call for "reduced vulnerability". The main argument was that, since the poor in an era of globalization are more vulnerable to macroeconomic shocks it was important to adopt social security mechanisms against inequalities so as to reduce vulnerability (Wuyts, 2006:2-3).

4.4 Conclusion

This historical exploration of institutional development in Tanzania has shown two parallel developments. On the one hand, there were positive developments associated with colonial and post-colonial institutional changes that were necessary for struggles against poverty. These included market economy, financial institutions and services, cash-crop production, infrastructure and communication, urbanization, social services such as housing, education and health care, socio-economic security systems, socio-political institutions and processes, as well as transposition of egalitarian moral values and institutions of ancient tribal ways of life. But, those changes were accompanied by developments that became the breeding ground for poverty, inequality and insecurity: the distortion of modern institutions, institutional syncretism, primary production for global capitalist economy, regional and rural-urban development inequality, biased infrastructure and communication development in favour of urban and enclave regions, suffocation of indigenous entrepreneurial class, limited and discriminatory social services, discriminatory financial institutions and services, parasitic bureaucratic expansion, weak legal and political institutions, incoherent ethical standards and more unequal social groups.

Moreover, shifts in international institutional functioning, development doctrines and strategies shaped the background against which domestic policies were negotiated. Interacting with domestic changes, international institutions provided a context in which anti-poverty initiatives emerged and were sustained.

Thus, the institutional change brought opportunities in the struggle against poverty and inequality, while developing new challenges towards the same efforts. Central to these challenges included: shifts in the conceptions and concerns of poverty, the character of the mode of the institutional reform, the nature of social group struggles, the ambivalence of the new institutional order, the character of the organization of production, and the conditions of poverty and corruption. These aspects constitute the main subject matter of the subsequent chapters.

Chapter 5

The Evolution of Poverty and Inequality (1961-1985): *Rhetoric and Praxis*

5.1 Early Concerns of Poverty and Inequality

“One of the most vivid impressions which we have formed as a result of our enquiry is the fundamental poverty which prevails in [Tanganyika]...The output of...economy when related to the size of population is low both in absolute terms and by comparison with the output of other [territories]...we regard this fact as basic to any future agricultural and industrial development which may be contemplated, and we regard it as equally basic to any discussion of such allied matters as wages, immigration policy, capital creation and the expansion of social services” (East African Royal Commission 1953-1955 Report, 1955:40-41).

The concepts and concerns of poverty and inequality entered development policy discourses in Tanganyika in 1955 after the report of the East Africa Royal Commission on conditions of economic and social development in the territory. According to the Commission, the rapid rate of socio-economic and demographic development and the challenges these placed on land and traditional tribal economic system deemed it expedient to consider the conditions of development and measures needed to achieve an improved standard of living. In particular, measures were to address the question of enabling peasant farming to expand production to meet the demands of the growing population and struggles against poverty. The concern was how the tribal economy could be transformed to help overcome poverty.

As the quotation above suggests, poverty was identified by the report as one of the main factors that had limited economic development and threatened future development. It argued: “poverty is a natural breeding ground for poverty. To some extent the same basic poverty sets a limit to the degree of economic development...which may be envisaged in the foreseeable future” (ibid, p.41). There were two main concepts of poverty reflected in the report used to explain the socio-economic conditions. The more obvious and emphasised was “*basic poverty*” and the less emphasised, but identified as a challenge to development, was “*enforced poverty*”. Let us examine these two and the way they were related to development conditions.

5.2.1 The Basic Poverty (BP)

“Basic poverty” of Tanganyika was defined as lack of resources necessary to meet the needs of the population, reflected in the low level of output relative to the size of population and as compared to the output of other territories (ibid, p. 40). Two factors were held responsible: limited geographical products (LGP) and restrictive dual economy (RDE).

(a) Limited Geographical Product (LGP)

Basic poverty was determined by examining estimates of the geographical products-resources available as given by nature and climatic conditions such as agricultural products, minerals, forest products and water resources, measured in terms of their export value. How much did Tanganyika produce and export relative to its population and exports of other territories in East Africa and beyond, constituted the basic poverty (Table 5.1).

Table 5.1: Comparative Net Geographical Product of East African Territories in 1952(in £millions)

No.		Kenya*	Uganda	Tanganyika
1.	Total net geographical (money) product (excluding subsistence activities)	80.8a	81.2	62.0
2.	Net (money) product of commercial, agriculture, and other enterprises of indigenous economies	4.7	51.1b	10.0
3.	Wages earned outside indigenous economies	13.2c	9.3d	12.8e
4.	Total money product of commercialised activities of indigenous economies outside wages (2 +3)	17.9	60.4	22.8

Source: East African Royal Commission 1953 -1955 Report 1955:479 (Appendix IX)

a. includes export taxes;

b. includes export taxes and the profits of statutory marketing boards, representing income withheld from the producer;

c. include cost of living allowances and the value of free rations of quarters;

d. excludes the value of free housing; e. cash earnings plus value of free rations and values of free accommodation

* Data are for 1951

Within the territory, regions were examined on the same basis. Export enclave regions were compared with hinterland regions, the latter being considered poorer than the former. Economic zones developed by colonial economy based on climatic conditions and natural resource endowments became the first factors responsible for poverty and inequality. So, just as Tanganyika's basic poverty was due to limited geographical products for export as determined by climatic conditions and natural resource endowments, so was basic poverty among regions. Export regions attracted colonial development and white settlement, which led to infrastructural development and social services provision in favour of them. The biased colonial development led to unequal integration into modern exchange economy and socio-political ways of life. The result was inequality between regions and their respective inhabitants.

Therefore, the natural resource and climatic conditions of the territory determined its geographical products and value of its exports, which provided an indication of the state of poverty. Inter-regional differences in geographical products and exports led to poverty. The conclusion was that, limited natural resources resulted in limited geographical products and exports, causing poverty and inequality. This basic poverty led to limited investible resources, lower labour productivity, and consequently set a limit to socio-economic development, forcing people deeper into poverty. Hence the assertion: "poverty a natural breeding ground for poverty".

(b) Restrictive Dual Economy (RDE)

The relative economic backwardness of Tanganyika was also associated with the dual economic system³⁶. Both, market economy in which activities were oriented to the earning of money through wage labour and /or production of goods and services for sale and

³⁶ The concept "dual economy" denote an economic system inherited from colonialism characterised by co-existence of two economic systems: (a) market economy in export enclaves (cash-crop producing areas and urban centres) with relatively modern production and export of few raw materials for processing in the factories of developed industries, and the imports of manufactured consumer goods. (b) Traditional subsistence economy in hinterland areas-where majority of population lived and worked in the traditional life producing for subsistence needs and providing cheap labour for wage earnings in export enclaves. For more explanation, see Seidman, Ann (1972)

subsistence, where activities were oriented to the subsistence need only, did exist. The range of market activities was narrow and restricted to export enclave areas and urban centres. Many features associated with a modern market economy did not exist, including division of labour and specialization, well-functioning financial institutions, wide range of goods and services, potential markets and investible resources. The economy was predominantly subsistence, which was one of the main causes of poverty. The argument was that, a great proportion of resources was channelled not into relatively high income - producing activities for wide and specialized market but into subsistence production of the local community which by its nature could not yield a surplus above what was required to meet the subsistence necessities of life.

It is acknowledged in the economic literature that the division of labour is limited by the scope of the market, and that anything which enlarges the market increases opportunities for more specialized production. The growth of income and living standards, which the division of labour through exchange made possible in other societies, were difficult in the tribal subsistence economy in Tanganyika. According to the Royal Commission, the reasons included: *First*, production for markets presupposes that markets exist. By contrast, tribal subsistence economies are economies in which development of commercial markets is inhibited. *Second*, in subsistence economies, not merely does the population live a low standard of life, but the nature of the economy makes it impossible to discover a route of escape from poverty. *Third*, traditional methods of land use and tribal restraints on departure from subsistence practices, coupled with ignorance, low technology and lack of resources stood in the way of any escape route. *Lastly*, the absence of markets which would make it worthwhile for peasants to specialize on any appreciable scale was an obstacle to the struggle against poverty.

So, the nature of tribal organization of subsistence production not only put limit to market development, but was also unable to ensure to a considerable proportion of the population, either the income or socio-economic security. It was emphasized that it was only the exchange economy which could produce the wealth necessary for poverty alleviation. Wage earning activities outside tribal economies were low because of the non-development of commercialized production. Money earning opportunities had not developed to support anti-poverty initiatives. The cause of poverty rested on the absence of commercialized and wage earning activities for the indigenous population. The limited geographical products and wage-earning activities affected productive activities in agriculture and industry, and consequently the value of exports was minimal.

From the “basic poverty” perspective, the concept of poverty was based on a monetary indicator- *per-capita* net product. Lack of resources and limited incomes were considered the principal sources of poverty. The solution was to raise the income of the territory through transformation of tribal subsistence into market economy. A measure of encroachment on the primitive societies by market forces was perceived vital for development and poverty alleviation. This was considered important in establishing effective way of using land and other natural resources, promotion of division of labour and specialization, increase geographical products and productive efficiency of agriculture and livestock, promotion of entrepreneurial spirit and skills, diversification of production, widening sources of income, ensuring sustainable economic security and provision of incentives for indigenous technological innovation and development. Poverty was also associated with lack of formal wage labour. It was a failure of the market economy and the tribal subsistence economy to absorb surplus labour through expansion of wage labour. Poor people were referred to people not engaged in wage employment to earn enough

income to sustain their living. The struggle against poverty was viewed as a struggle against unemployment.

Because land was the principal means of tribal subsistence and the tribal land tenure turned to be the most resistant to market oriented land use, land reforms became the focus of the colonial government. Many reforms stressed the need to move away from the tribal control of land tenure and ownership and encourage market land tenure system. However, the shift from tribal to market tenure system was encouraged without realizing that the better technical use of natural resources could not emerge unless production was enabled to shift from a subsistence to an exchange basis. The question then was: What institutional reforms were necessary to enable the subsistence economy to be transformed into an exchange economy? Finding solutions to this question became a major concern of post-independent government.

5.2.2 Enforced Poverty (EP)

“Enforced poverty” was defined as dispossession of, and limited access to, resources and other necessities of life due to the functioning of a particular institutional order. According to this view, the main factors which laid the breeding ground for poverty and inequality was not insufficient resources and income, but the character of modes of wealth accumulation and the accompanying restrictive tendencies of both tribal subsistence and colonial market economy.

The process of dissolving subsistence, for example, had consequences that perpetuated poverty. The tribal economy endeavoured to afford to its members an acceptable form of socio-economic security appropriate to the subsistence social conditions under which the people lived. Commercialization of economic activities made it possible for the indigenous population to attain higher standards of life than would have been possible, but it did not necessarily guarantee the majority the minimum socio-economic security needed for a decent life. The transformation through land reform and other measures constituted a threat to economic and social security.

Furthermore, the restrictive effects of tribal subsistence rested mostly on its socio-political organization, the age, sex and generation system associated with marginalisation of youth, women and children; traditional land use system; communal ownership; narrow and restricted range of economic activities; limited division of labour; limited wealth accumulation and; fragile socio-economic security. Colonial market economy was based on exploitative and unequal mode of wealth accumulation: raw material production for export; cash-crop production on few regions; suffocation of indigenous entrepreneurs; low wages; taxation; biased infrastructural and communication development favouring export enclaves and urban centres; unequal integration of regions into modern socio-economic and political systems and; limited access to decision making. All these created a breeding ground for poverty and inequality.

Recognition of these threats and the dilemma which emerges when it is desired to enable the indigenous population to raise their standard of life, and to avoid the harmful effects of social disintegration that accompanies the break-up of the tribal order of socio-economic security, was fundamental in post-independence development initiatives and struggles against poverty. It was also feared that, if the process of change created new problems of adaptation for the people affected, it could also increase demand to more resources with which to deal with those problems, diverting them from economic activities. Throughout

this period, poverty signified both a limited access to resources and an incapacity to produce other basic necessities of life. Its conception went beyond an insufficiency of resources by taking into account how resources were made unavailable and insufficient to a particular group due to the limited accessibility caused by the functioning of an institutional order in which struggles took place. Thus, to be poor was seen as not just having less than others, but also as being deprived of the means of securing more.

5.3 Post-Independence Period (1961-1985)

5.3.1 The Immediate Post-independence Initiatives (1961-1966)

Tanzania attained independence with the majority of people living in extreme poverty. Very few Tanzanians participated in the market economy and although some cash-crop farming existed, very few substantial indigenous commercial farmers existed. Many parts of the country were dominated by subsistence economy and were predominantly agricultural. Table 5.2 shows that agriculture accounted for 59 % of gross domestic product in 1961; by contrast the manufacturing sector provided only 3.6% . Other sectors of transport, construction, mining, commerce and public utilities (electricity and water supply), and services were also very small. This economic structure of predominantly agricultural output supporting few other small sectors to meet local requirements, produced only a bare living for the majority. Since population, stood at 9.4 millions, per capita income was just £21, which put Tanzania firmly among the world's poorest countries (Silver, 1984:72).

Table 5.2: Gross domestic product at factor cost and current prices, 1961

Sector	£ '000'	Percentage (%)
Agriculture	114,087	59.0
Commerce	22,239	11.5
Services	20,582	10.6
Transports	8,585	4.4
Rents	8,377	4.3
Manufacturing	6,958	3.6
Construction	5,840	3.0
Mining	5,476	2.8
Public U utilities	1,360	0.7
Total*	193,504	100.0

Source: Silver (1984:72). * Figures may not sum to the total because of rounding.

Other indicators (Table 5.3) show a similar picture. Average life expectancy at birth was 35 years, with an infant mortality rate of 190. Percentages of children enrolled in primary and secondary schools were 25 and 2 respectively, while the adult literacy rate was only 10%.

Table 5.3: Selected indicators of development in Tanganyika (1960/61)

Indicators	1960/61
A. Population (millions)	8.8
Population growth	2.7
Average life expectancy at birth	35
Infant mortality rate	190
B. GDP (US\$ millions)	550
Agriculture (%)	57
Industry (%)	11
Services (%)	32
C. Education	

Primary school enrolment (%)	25
Secondary school enrolment (%)	2
Adult literacy rate (%)	10
D. Labour Force (%)	54
In agriculture (%)	89
In industry (%)	4
In services (%)	7

Source: World Bank (1981, 1984)

(a) The Declaration of War against Poverty

Soon after independence, the TANU leadership declared poverty a development problem which the government was to declare war against and devote its resources. Poverty, ignorance, disease and corruption, became the chief national enemies. The declaration was a formal introduction of poverty into development policy circles with direct link to education and health as basic social services to be guaranteed to all citizens. The conception of poverty as a national enemy introduced a “*collective or communal*” concept of poverty and a militaristic view of struggles against poverty in national development initiatives. Poverty was viewed as a problem and enemy of “all” requiring efforts of “all”, hence “the war against poverty”.

It was acknowledged that poverty was the breeding environment for other enemies (disease and ignorance) and it was by defeating poverty that the nation could defeat the others. Poverty became the central focus of development initiatives after independence. The party and government shifted attention from war against colonial rule to war against poverty. However, the question was how this could be fought successfully, given the socio-economic and political circumstances at independence. Two options were available for TANU and its government: to fight poverty through free market economy with private initiatives and minimum government intervention or, through modified tribal subsistence and collective initiatives with maximum government intervention. Development circumstances forced the government to accept continuation of the inherited colonial dual system with free market economy providing a mode of wealth creation and accumulation and regulating relations in the production process in urban and cash-crop areas, while tribal subsistence was left to organize production in most rural areas. However, this was to go with institutional reforms as a way of setting the ground for an alternative mode of wealth creation and regulation of production relations to be applied to all parts of the country.

(b) The Market Economy and Poverty Alleviation

Adoption of a market economy meant that poverty was to be associated with individual unemployment and the war against it was to be fought through expansion of production and formal wage earning and transformation of tribal subsistence into a market economy. Hence the war against poverty became a war against unemployment. As a consequence of the centrality of unemployment, the government adopted various institutional reforms and policies aimed at (among other things) expanding formal wage-earning activities through expansion of public services, industrial activities, encouraging workers to settle permanently in towns and increasing minimum wages (Pratt, 1976:216).

The most important development initiatives during this period were embodied in the Three-Year Development Plan of 1961-64 and the more coherent and ambitious First Five Year Development Plan (FFYP) of 1964/65 -1968/69. The thrust of these plans was rapid economic growth. More specifically, the enhancement of production in industry and

agriculture constituted the central objective of the FFYP. Some of the major targets of the latter were : an increase in per capita from sh.392/- in 1960/2 to sh.586 in 1970 and over sh.900/- by 1980; growth of product was set at 6.7%; to make Tanzanian self-sufficient in manpower in all economic fields and at professional levels; to increase the number of wage earners from 340,000 in 1960/2 to 800,000 in 1980 implying an increase of wage earners from about 3.4% of the population to 5.7%. Half of the employment was to be in agriculture by 1980 and; to raise the life expectancy from 35 to about 40 and 50 years through (among other things) the reduction of infant mortality (Rutman, 1968:30).

If one examines the economic indices between 1961 and 1966 there seems no obvious malaise necessitating adoption of radical institutional reforms and policy changes in 1967. Increase in economic growth accompanied by expansion in industrial and agricultural production, wages and wage-earning activities and, improvement in welfare indicated, not only a progress in meeting some development targets, but also an improvement in levels of living compared to the situation at independence. So, what went wrong?

Rweyemamu (1973:46) identified two aspects of development associated with growing poverty and inequality alongside the above mentioned development which could have necessitated changes in 1967: unequal resource allocation and social differentiation. Let us examine these in relation to economic growth, employment, wage earnings and socio-economic security.

(i) Economic growth and performance

By 1966 real output was growing at 4.8% (at 1960-2 price base) and 5.8% at current prices although GDP increased at 6.7% per annum as planned. In 1965 there was slowing of the rate to 1.8% in 1965. GDP at current prices (factor cost) rose at an annual rate of about 7.1% reaching Tshs. 5,444 millions in 1966. The non-agricultural sector, particularly manufacturing, continued to expand. Agriculture's contribution to GDP (at factor cost) which averaged 59% during 1961 to 1964 declined in 1965 to 54% and in 1966 to 53%. National income at current prices rose fairly from 1962, except for the 1965 slowdown, at an average annual rate of about 6.7% to Tsh. 5,003 million in 1966, or roughly Tsh.505 per capita (Table 5.4)

Table 5.4: Gross Domestic Products (at factor cost) and National incomes at Current prices - 1961-1966 (Values in Millions of Tshs)

GDP at Current prices	1961	1962	1963	1964	1965	1966
Agriculture	2282	2,485	2,787	2,805	2,651	2,905
Mining	109	103	88	121	121	141
Manufacturing	139	154	156	194	134	283
Construction	117	122	124	154	151	172
Transport	172	188	188	197	216	247
Public utilities (Electricity& Water)	27	30	32	35	37	48
Commerce	445	484	517	600	658	766
Rent	167	175	187	222	246	267
Other services	412	448	468	509	580	615
Total GDP at Current Prices	3,870	4,189	4,547	4,837	4,894	5,444
GDP at 1960 prices	3,543	3,796	3,932	4,194	4,271	4,645
National Income at Current prices	3,622	3,924	4,222	4,517	4,565	5,003
Annual growth rate (%)						
GDP at Current Prices(at	4.5	8.2	8.5	6.4	1.2	11.2

factor costs)						
GDP at 1960 prices (at factor costs)	-4.3	7.1	3.6	6.7	1.8	8.8
National Income at Current prices	5.0	8.3	7.6	7.0	1.1	9.6

Source: IMF: Surveys of African economies (1969), vol.2, p. 213

Estimates of the growth in manufacturing production (Table 5.5) shows the net output of the sector, at constant prices, to have increased between 1960 and 1961 at the rapid rate of 23.9%. Other industrial sectors experienced lower growth over this period, the annual average compound growth rates for the mining and quarrying industry being 0.2%, electricity and water 4.5%, and the construction industry only 1.8%. The large agricultural sector grew at 4.8% per annum between 1961 and 1965, with transport growing at an annual average of 4.7% and commerce, rent and services at 5.2%. This rapid growth in output of the manufacturing sector relative to the growth in other sectors was reflected in the change in relative contribution of manufacturing to GDP at current prices over the period. The percentage contribution of manufacturing to GDP in 1961 was only 3.6%, but this had more than doubled to 7.6% by 1965. Thus manufacturing real net output increased at a faster rate (8.9% per annum) than GDP (5.1% per annum) over the period 1961 to 1965. The industrial sector accounted for 10.1% in 1961 but it rose to about 14.1% 1965 (Silver, 1984:133).

Table 5.5: Gross domestic product* at factor cost and constant prices (1960-1965)

Sector	Net output to constant prices, Tshs. million					
	1960	1961	1962	1963	1964	1965
Agriculture, hunting, forestry & fishing	2,256	2,047	2,171	2,232	2,517	2,471
Mining & Quarrying	104	111	105	87	97	112
Manufacturing & handicrafts	109	135	146	158	168	190
Constructions	91	111	113	114	114	119
Electricity & Water	25	26	29	29	30	31
Transport, storage & communications	175	174	186	182	202	209
Commerce, rent & services	941	961	1,030	1,027	1,115	1,179
Total	3,701	3,544	3,796	3,951	4,209	4,324

Source: Silver (1984:111). * Includes subsistence and money sector

Notwithstanding general relative growth of industrial production and establishments this period witnessed a fall in price and relative slow growth in the output of the sisal industry (the major employment-providing industry) which made a substantial contribution to the relatively poor performance in the agricultural processing sector and consequent decline in employment in this sector (Table 5.6).

Table 5.6: Total employment in major agricultural estate Industries, 1962-1966

Estate Industry	1962	1963	1964	1965	1966
Sisal	117,898	94,537	96,396	76,493	64,593
Tea	19,239	14,900	13,882	11,757	12,106
Coffee	15,958	12,713	13,823	13,616	14,93
Sugar	8,704	8,275	8,442	8,739	8,758
Sub-Total	161,799	130,425	132,543	110,605	100,440
Agriculture	192,924	155,506	153,410	127,336	114,319
Percentage (%)	83.9	83.9	86.4	86.9	87.9

Source: Seidman (1972 :185).

The share of subsistence incomes in national income (Table 5.8) declined from 37% in 1961 to 30% in 1966, while the monetary incomes of rural households rose from 16% to 18%. This trend indicated the increasing monetization of the economy through production for the market (IMF, 1969:213). Therefore, according to Rweyemamu (1973), though GDP in current prices increased at the 6.7% per annum as planned, real income lagged behind real output at a growth rate of 3.5%. Assuming a 2.5% rate of population growth, real income per capita seems to have increased at an average of 1% per annum.

As noted, the rapid growth in manufacturing went with declining agricultural production and growing unemployment. Given this anomaly it is imperative to examine the growth in employment and wage earning in relation to poverty and inequality.

(ii) Employment and Wage Earning

Employment expansion and increase in wages in many sectors were the major aspects in resource allocation as a way of improving workers' levels of living due to the fact that African wages had been kept usually low by the colonial administration. This was in line with the Keynesian thinking dominant at that time, which associated poverty with lack of wage employment. There was remarkable increase in localization of the senior and middle grade civil service (Table 5.7) from 26.1% in 1961 to 71.8% in 1966.

Table 5.7: Localization of the senior and middle grade civil service as at 31ST December 1968

Citizenship of officers	1961	1962	1963	1964	1965	1966	1967	1968
Tanzanian Citizens	1170	1821	2469	3083	3951	4364	4937	6208
Foreigner Citizens	3282	2902	2580	2306	2001	1710	1817	1619
Total Number of Officers	4452	4723	5049	5389	5962	6074	6754	7827
Percentage of Localization (%)	26.1	38.5	48.9	57.2	66.3	71.8	73.1	79.3

Source: Second Five Year Plan: Economic and Social Development. 1st July 1969-30th June 1974.p.24

In terms of employment in agriculture and related sectors, Table 5.8 shows that the bulk of the population remained engaged in subsistence activities. According to the IMF (1969:237), under-employment and disguised unemployment which characterised the subsistence sector were wide-spread in the mid 1960s. There was also a declining in employment of about 80,000 persons during the period, indicating a growth in unemployment. Many seasonal and casual labourers who constituted a significant proportion (about 25%) of total employment lost their jobs. There was an indication that increase in urban unemployment was partly based on the fact that not all those who lost jobs as casual labourers in agriculture and non-agriculture sectors were re-absorbed into subsistence sector. According to Silver (1984:208), the dismissed employees either returned to peasant farming where productivity was low or remained unemployed in urban areas.

Table 5.8: Net output of private Agriculture, Forestry and Fishing, 1965 & 1966 (in millions of Tshs)

1965	Crop production	Livestock	Forestry	Fishing	Total
Subsistence	1,033.0	277.0	33.0	10.0	1,353.0
Smallholder	680.0	122.0	23.0	40.0	865.0
Estate	374.0	-	-	-	374.0
Total	2,087.0	399.0	56.0	50.0	2,592.0
1966	Crop production	Livestock	Forestry	Fishing	Total
Subsistence	1,160.0	311.0	33.0	11.0	1,515.0
Smallholder	757.0	142.0	23.0	60.0	982.0
Estate	347.0	-	-	-	347.0
Total	2,264.0	453.0	56.0	71.0	2,844.0

Source: Extracted from IMF: Surveys of African Economies, vol.2, p. 218

Furthermore, while employment in manufacturing increased faster than employment in other sectors at an average rate of 5% in 1961 to 8% in 1965, the growth of employment in this sector did not favour all regions (Table 5.9). In 1961 one-third of African employees worked in Dar es Salaam, by 1965 nearly half of all employees in manufacturing were in the region. In general, by 1965, 87.2% of all employees in manufacturing were engaged in four export enclave regions of Dar es Salaam, Coast, Northern, Tanga and Lake. About 72.8% of African employees in this sector were concentrated in these four regions at independence.

Table 5.9: Regional distribution of manufacturing employees, 1961, 1965 and 1972

Region	Africans 1961		All employees 1965		All employees 1972	
	Number	%	Number	%	Number	%
Dar es salaam & Coast	5,869	33.6	12,528	48.7	27,432	49.5
Northern	2,479	14.2	3,292	12.8	6,391	11.5
Tanga	2,331	13.3	4,032	15.7	4,438	8.0
Lake	2,048	11.7	2,580	10.0	6,962	12.6
Eastern	1,649	9.4	852	3.3	3,328	6.0
Western	1,526	8.7	538	2.1	746	1.3
Southern Highlands	515	2.9	723	2.8	1,508	2.7
Southern	449	2.6	535	2.1	1,728	3.1
Central	376	2.2	354	1.4	243	0.4
West lake	142	1.4	305	1.2	2,613	4.7
Total	17,484	100.0	25,929	100.0	55,389	100.0

Source: Silver (1984:148)

Marked changes took place in the sex composition of manufacturing employees during this period. In 1962, for example, manufacturing employed 1,598 African women, 194 non-African and 1,204 African young persons under the age of 18. By 1965, the number of females and young employees had fallen substantially-774 female citizens; 242 young citizens and 167 young and female non-citizens. In 1962, female and young employees made up 10.7% of manufacturing employees; however, by 1965 this had fallen to 4.5% (Silver, 1984:147-148)

In terms of wage earnings, there was growing inequality within manufacturing and between it and other sectors, resulting from the disparity and decline in employment. While the majority of employees lost their jobs the total annual wage bill rose steadily during the period with the total share of compensation of employees increasing in absolute

amount and as a share of national income. In 1961, total compensation of employees amounted to Tshs. 1,080 million or about 30% of national income; in 1966 it amounted to Tshs. 1, 545 million or 31% of national income. This indicated that the remaining wage earners acquired a significant share of the meager increase in real per capita income (Rweyemamu, 1973:52). According to him, between 1961 and 1966 wages rose by 80%, while prices rose by 11%, resulting in a real income gain for wage earners. This was in addition to welfare benefits which they had come to enjoy since independence such as severance pay, employment security provisions, fringe and annual benefits and provident fund contributions.

Thus, wage increments were not shared equally by wage earners because wage increase went with massive lay-offs in agriculture particularly sisal industry as well as general fall of employment in other sectors. Furthermore, workers in large enterprises, mainly subsidiaries of multi-national corporations where the national workers unions concentrated their demands, were able to obtain minimum wages of upwards of shs 330/- per month while workers in smaller establishments obtained only half as much or less (Rweyemamu, 1973:53). There was also a continued discrepancy of pay scales among the regions as well as different sectors of the economy. The rise in wages in agriculture was less than in other sectors and if increase is considered on regional basis, it seems to have concentrated largely on export enclave areas and more on people employed in Dar es Salaam and Tanga- while wages in other regions rose comparatively little (Table 5.10).

Table 5.10: Trend of monthly legal minimum wages for regular employees aged 18 + in shillings between 1957 and 1975

Year	Date effective	Coverage	Dar & Tanga	Other urban areas	Rest of the country
1957	1 April	All regular employees in Dar, excluding Tanga	82	-	-
1963	1 January	All regular employees excluding Plantation agriculture, old mining & tea industry	150	125	100
1964	1 September	Tailoring, garment-making and associated trades in Dar exc. Tanga: unskilled workers & apprentice tailor	155	-	-
			170	-	-
1965	1 June	Regular employees in non-plantation agriculture & gold mining & tea industry (exc. domestics)	-	-	80
			-	-	100
1965	1 November	Wholesale and retail trade: labourers, etc,	180	155	130
		clerks, shop assistants	230	205	180
1967	1 August	Domestic employees: gardeners and ayahs,	170	145	120
		watchmen and indoor staffs	180	155	130
		chauffeurs	250	225	200
1969	1 July	All regular employees, excluding Plantation agriculture, old mining & tea industry	170	145	120
1972	1 July	All regular employees	240	240	140
1974	1 May	All regular employees	340	340	200
1975	1 May	All regular employees	380	380	230

Source: Silver (1984:177)

One result of these wage differentials, according to Rweyemamu (1973:53) was the anomaly created whereby equal work yielded different rewards to workers. Although he did not explain the main cause of the anomaly, one explanation would be that of workers' differential institutional capacity and positioning within the economy. This influenced their capacity to influence wage policies, resource allocation and negotiation capabilities in labour relations. Inequality existed also between a class of senior civil servants and senior managers in industry (who had inherited a "European's salary structure) and lower civil servants. The former enjoyed employment security and had access to public utilities and credit facilities as compared to the latter group.

There was also increase in unemployment due to the rise of school leavers. But the school leavers' problem was complicated by its regional inequality incidence. Owing to the government's decision to hand over primary schools to district councils in mid 1960s, then two problems according to Rweyemamu (1973:53-54) arose: First, there was variations in the number of school leavers due to differentials in the district's per capita expenditure on education due to poor economy and education infrastructure as a result of colonial legacy. Second, the school leaver problem was potentially explosive in export enclave regions that were also highly represented in the civil service and in senior positions. These problems created the possibility for civil servants and politicians from highly represented regions to manipulate the selection procedures and education policies to maintain the status quo. As Art van der Laar argued after observation of the nature of growth and income distribution in the country in 1967, "...therefore, those who largely at public expense have received their education which brought them to the position of power in the government, subsequently have the opportunity to perpetuate the oligarchy" (cited in Rweyemamu, 1973:54).

These factors fostered great income differentiations among the workers depending upon size, sector and region. The situation was also supported by the employment policy which was directed towards the creation of a small, comparatively higher wage, employed population than large one at lower wages. During the period there were significant indices of social differentiation among urban-workers and peasants. The rural sector was also undergoing differentiation between smallholder peasants producing for subsistence and limited cash crops and an emerging kulak class with large farm holdings employing labour for profit (Rweyemamu, 1973:54). Another problem in rural areas was growth of what Hyden (1980:86) called "patronage politics" in which party members and bureaucrats created private fiefs, and in turn were influenced by the demands of their peasant clients. If peasant resistance to economic change was an obstacle to rural transformation, Fieldhouse (1986:179) agreed, such a socio-political system was a threat to the power of TANU as the dominant force in a centralised socialist state. The need for neutralization of alternative power centres, particularly dilution of the political influence of the rural petty bourgeoisie, was inevitable (Hyden, 1980:105).

5.3.2 Ujamaa Period (1967-1985)

By 1967, the country was moving along a development path in which the benefits of institutional and policy changes were enjoyed by a small privileged group. Urban development had prospered at the expense of the countryside, a worrying factor in view of the absolute and relative size of the latter. The assumptions of past reforms and policy changes which relied on financial resources (money) as major instrument of development, emphasis on industries as a way of expanding wage-earning and as a consequence, concentration of resources on urban development were perceived by the

leaders as inadequate in promoting economic growth and fighting poverty (Rweyemamu, 1973:58). As a result, a widespread disapproval of capitalist production emerged among leaders, alleging it was perpetuating poverty, inequality and socio-economic insecurity. A need for reforms to promote agriculture and rural development was required. The Arusha Declaration and Ujamaa became part of leadership responses to that.

(a) Arusha Declaration and Ujamaa

The Declaration charted a new course of development under Ujamaa ideology emphasizing the creation of egalitarian and democratic society under two principles: Socialism and Self-reliance. Socialism was defined to mean the absence of exploitation; the workers' and peasants' ownership of the major means of production and exchange, and the establishment of a political democracy. Self-reliance, on the other hand, entailed dependency upon the people, land, good policies and good leadership, as opposed to financial resources which was central in the pre-Ujamaa period.

As discussed in Chapter 4, Ujamaa was a reflection of the socio-cultural life of African society. According to Bryceson (1993:12), the leadership believed that development could only be realized through the transformation of the peasantry socio-economic system, but that this had to be done with a peasantry which superseded its narrow local identity. Sensitive to the egalitarian values of the peasantry, she argued, the leaders adopted ujamaa, which translated the "kin", associated with the narrow, local identity of the peasants into the "national identity" of the national-state. The egalitarian exchange taking place amongst kin was therefore posited as perfectly feasible and natural at the level of the national state. Thus, apart from being an economic philosophy, ujamaa carried with it the socio-cultural values and principles of African society. The challenge was how to extend these traditional values to the modern political and economic setting. The transposition of these socio-cultural values into a modern socio-economic and political system through the Arusha Declaration in 1967 became one of the mechanisms.

The main argument was that in those "kin"-based societies, individuals and families were rich or poor according to whether the whole tribe was rich or poor. A person depended on the wealth possessed by the community of which he was a member. Community membership was a guarantee of protection against poverty and insecurity. This is vital to understanding the way in which poverty was perceived and fought during ujamaa.

(i) Wage labour and Poverty Alleviation

In tribal life, wage labour was never considered an important means for access to community wealth and services; after all, it never existed. Therefore, wage-employment in whatever manifestation could not be the best alternative means to life under Ujamaa. Wage was neither necessary nor sufficient condition for human development. This tribal concern against wage-earning activities coupled with increasing inequality and insecurity were attributed to two factors: first, erosive impact of exchange economy on moral basis and institutions of tribal extended family system through its compelling motives for individual wealth acquisition; second, government's wrong focus on struggles against poverty through promotion of wage labour or believing that money was the basis of development (Arusha Declaration-Part III). Furthermore, emphasis on wage-earning implied that poverty was perceived as "destitution"-lack of resources (money) to sustain physical needs. The government and TANU leaders believed that poverty was not a question of destitution, but deprivation of resources necessary for human life and dignity. Poverty was perceived

as an enforced state of inequality and insecurity resulting from exploitation of man by man and this was attributed to capitalist institutions and market economy. According to Nyerere, capitalism bred poverty, inequality and insecurity. Poverty was not only lack of resources and other means for obtaining the necessities of life, but also the reason for exploitation. To fight poverty was to fight exploitation; not unemployment or unavailability of basic necessities alone, for their absence or existence was not natural but created in the course of production of wealth. Therefore, struggles against poverty were associated with struggles against “exploitation” and part of the solution was to institutionalize equality in access to resources and other basic necessities of life and universal socio-economic security.

(ii) Institutionalization of Equality and Resource Accessibility

Several institutional and policy reforms followed adoption of Ujamaa and the Arusha Declaration³⁷. The leadership had decided that government and people must work for economic growth in a manner which would bring benefit to all and provide basic needs to all (SFYP, 1969: viii). For the first time, Tanzania became a pioneer among African countries in adopting as a central theme of the development strategy, the development of man by meeting his/her basic needs. In this context, a number of institutional reforms and policy measures were adopted of which the most important and far reaching consequences on future socio-economic development of the country were a leadership code of ethics and anti-capitalist socialization, the nationalization of the major means of production, the villagisation of the rural population and expansion and provision of social services including education, health and water supply to rural areas (Kaijage and Tibaijuka, 1996:42).

(iii) Leadership Code of Ethics and Public Morality

Because of the centrality of “good leadership” and “equality” in the recipe for self-reliance, a rather stringent leadership code was adopted. Leadership rule was introduced as a mechanism of enforcing a socialist-oriented leadership ethic. It specifically aimed at preventing leaders and civil servants from engaging in private economic activities and accumulating wealth while in office. This was seen as a measure for ensuring leadership morality and fighting corruption and inequality. Efforts to ensure leadership morality were accompanied by reinforcement of feelings against capitalist institutions and actions as a way of creating the “state of mind” among Tanzanians which could support Ujamaa principles of morality. It was believed that the creation of pro-Ujamaa moral life could not be achieved without creating an anti-Capitalist “state of mind”. This was done by socializing people against capitalist (market economic) institutions, transforming some into Ujamaa institutions, undermining or allowing them to operate under strict control of the government or abolishing them altogether.

(iv) Nationalization

Nationalization of private (mostly foreign owned) enterprises embodied both growth and equity considerations. The main aims were: first, to mobilize surplus resources generated by the nationalized enterprises in order to enhance the productive capacity of the

³⁷ Most of practical measures were stipulated in the Second Five Year Development Plan (SFYP) of 1969 to 1974, an Interim Development Strategy (IDS) of mid-1974 to 1976 and, the Third Five Year Development Plan (TFYP) of late 1976 to 1978.

economy(Kaijage and Tibaijuk, 1996:42); second , to secure ownership of capital and use it and the surplus it generated to meet society's needs; third, to limit various forms of income drain associated with foreign dominated market economy and; lastly, to reallocate the surplus from export of investment income, invisible payments and conspicuous consumptions to serve the requirements of primary accumulation as well as to alter the structure of investment such as choice of techniques, sectoral distribution and employment in order to meet national priorities(Rweyemamu, 1973:62) particularly, equal redistribution of social benefits.

(b) Institutionalization of Socio-economic Security

(i) Social Security System

The form of modern Social Protection adopted by the government after independence and expanded during Ujamaa was Social Security.³⁸ The origin and development of formal social security system in Tanzania dates back to colonial period. As discussed in Chapter 4, the introduction of modern economy, administrative system and urban settlements forced the colonial government to introduce some social security institutions mainly protecting expatriates against some social contingencies (Dau, 2003:25, Mchonvu et al., 2002:23, Tostensen, 2004:3). They included the Master and Native Ordinance of 1923, as amended in 1954, the Provident Fund Ordinance of 1942, the Government Employers Provident Fund Cap.51 of 1948 as amended in 1962, the Local Authority Provident Fund Cap. 53 of 1944 and the Workmen's Compensation Ordinance Cap. 262 of 1948 as amended in 1963 (Dau, 2003:26). Social security services provided under these institutions included old age pensions, compensation payments to workers injured while performing their duties, and provision of health and education services.

So, formal social security was initiated by the colonial administration and was not the result of pressure from African workers (Bossert, 1987 cited by Mchonvu et al., 2002:23). It was initially adopted as part of the extension of imperial social security system to expatriates working in the colony and later as an obligation to international human right instruments.³⁹ Thus, in practice, social security was State-based, foreign and paternal, and modelled on European experiences catering for few people in the modern sector of the colonial economy (Tostensen, 2004:4). Its service was discriminatory and in the eyes of many Africans "a statutory social privilege" rather than "a human right".

³⁸ According to Standing (2007), social protection broadly signifies the full range of protective transfers, services, and institutional safeguards supposed to protect the population at risk of being in need, while Social security covers the State-based system of entitlements linked to what are often called contingency risks. Much of the literature on social security in Tanzania has defined social security as the protection provided by society to its members through public measures against the economic and social distress which otherwise would be caused by the stoppage or reduction of earnings arising from contingencies. Examples of contingencies include sickness, employment injury and occupational disease, maternity, old age, invalidity, death and unemployment. However, there is a consensus that such a definition does not adequately fit the context of developing countries such as Tanzania where the majority depend on a variety of traditional and informal social protection schemes associated with the extended family and other new systems of social organization (Mchonvu et al., 2002:13; Dau, 2003:25).

³⁹ The Article 22 of the Universal Declaration of Human Rights of the 10th December 1948 which emphasized States' obligation to ensure that every member of society has the right to social security to cover all the main contingencies of life; the ILO Convention No. 102 of 1952, which emphasises among other things the extension of a comprehensive social security measures of a universal nature and; Article 9 of the International Covenant on Economic, Social and Cultural Rights from 1966 which recognises the right of everyone to social security, including social insurance (Mchonvu et al., 2002:17; Kulke, 2007:120; Dau, 2003:25).

The post-independence government inherited the system but made amendments, introducing new institutions as a way of extending formal social security to African workers so as to supplement the traditional extended family forms of security. They included: the Statutory Severance Allowance of 1962, the National Provident Fund Act of 1964 amended in 1975; the Constitution of the United Republic of Tanzania of 1977 and; the Parastatal Pensions Fund Act No. 14 of 1978 (Dau, 2003:26). Major changes took place after adoption of Ujamaa in 1967. With support from ILO and other agencies and donor countries, Tanzania became one of the champions of universal social protection beyond the confinements of ILO's social security concept. The right to social security was extended from social insurance for workers as established during colonialism and immediate post independence period to new forms of social security schemes which included other citizens as well. Under Ujamaa the right to social security became a fundamental right of everyone as a member and part of human society. Apart from social security schemes other measures such as villagisation and free Basic Needs Provision were introduced to institutionalize universal social protection.

(ii) Villagisation

Embodying growth and equality as its central objectives, Villagization (involving resettlement of peasants previously living in dispersed homesteads) was justified by three arguments: *first*, it would make possible for economies of scale to be reaped in the provision of social services and in the organization of co-operative agricultural production and provision of technical services; *second*, it would enhance political organization and democratic participation (Kaijage and Tibaijuka, 1996:43) and; *lastly*, it would provide institutional protection for social and economic inequalities and insecurities.

To avoid class differentiations which had emerged among peasants (as they became engaged in expanding private cash-crop production) Ujamaa villages were organized in the form of the old-traditions of tribal living, involving working together and sharing the proceeds. Defined as co-operative production units, they were identified as institutions for socialist and rural transformation. They also operated on the principles of extended family as a way of providing socio-economic security. As a form of socio-economic security system, Ujamaa Village co-operative production and life, endeavoured to combine the benefits of both statist-universal basic needs provision and traditional systems of social protection through extended families. Thus, villages became the focal points of universal socio-economic security in rural areas.

(iii) Basic Needs Provision

The expansion of social services (education, health and water in particular) was by far the major thrust of the anti-poverty and insecurity policy, which dominated government activity in this period. In the field of education and training, a policy of education for self-reliance was translated into action through adult literacy campaigns in the 1970s, expansion of primary education which culminated in adoption of universal primary education policy in 1977 and expansion of secondary and tertiary education. In the field of health, a strategy of universal primary health care was adopted resulting in the expansion of rural dispensaries and health centres all over the countryside. With regard to water supply, the target was universal coverage by 1990 (Kaijage and Tibaijuka, 1996:43). Other measures adopted included introduction of subsidies, entitlement and allowance system; provision of transport, food(breakfast and lunch), children's socio-economic support (four children per every worker); affordable housing; recreation (sports, dancing, and

ensembles); clothing (uniforms) ; paid leave; hardship loan; provision of farm inputs; adoption of equitable income and price policy and availability of credit services through banks and co-operatives; continuation of payment of salaries at times of illness and paid maternity leave and; provision of family allowances and tax relief for employed couples (SFYP, p. 12& 36; Kiragu and Mukandala, 2005:218; Mchonvu et al., 2002:24)

These measures were implemented through Ujamaa Extended Family Social Organization (Chapter 4) and became the central feature of the Universal Social Protection system in the country. However, while the expansion of social security schemes may seem to have been partly a result of the influence of Workers and Peasants, the logic of the Ujamaa Extended Family Social Organization limited that possibility and instead, most of these initiatives came from the government as part of its obligation to society as “the Father” and implemented by various sections and associations of the government under closer assistance and monitoring from the Party (TANU/CCM) as “the Mother”! So, its universal character notwithstanding, formal social protection, and social security, remained state-based and paternalistic in character, organization and functioning. The unique aspect of the system was its emphasis on government commitment reinforced by the principles of Ujamaa.

5.3.3 Impact of Ujamaa institutional and policy reforms

There were both positive and negative effects of institutional reforms and policy changes adopted during Ujamaa. The most conspicuous positive outcomes included: (a) expansion of employment opportunities through expansion of state organisations. For example, government employment grew from 196,966 in 1979 to more than 272,000 in 1983 (Table 5.11); (b) expansion of basic needs (e.g. education, health and water) to the majority of rural population; (c) establishing a network of socio-economic security schemes-social security funds, free basic social services, farm input subsidies, price regulation, co-operative credits, village organization system, traditional security system (extended family) and access to land- which provided institutional protection for socio-economic insecurity to many urban and rural inhabitants; (d) reduction of illiteracy from 80% in 1960 to 21% in 1980; and (e) increase in life expectancy at birth from 35 years in 1960 to 54 years in 1986. All these indicated improvement in the quality of many human needs in Tanzania (Appendices, 5A & B).

Table 5.11: Government Employment, 1979-83

Year	Ministries	Town council	Regions(exc. Dar)	Total	% Change
1979	67,989	655	128,322	196,966	-
1980	69,783	10,652	138,357	218,792	+11.1
1981	75,456	15,244	152,938	243,638	+11.4
1982	78,588	18,815	165,761	263,164	+8.0
1983	80,300	20,489	171,561	272,350	+3.5

Source: ILO Mission Report (1988:32)

In general, there were substantial achievements in social welfare which convinced an ILO Mission in 1988, to commend the country’s record in providing basic needs as exemplary. The Mission also made an observation that the country’s experience demonstrated the fact that some of the worst features of poverty could be alleviated at low income levels within a short period by appropriate selective government social policies in a peaceful manner and in conditions of political stability (ILO Mission Report, 1988:39).

What the Mission failed to appreciate was that the leadership commitment to universal basic needs provision was an important factor if not the main one. Without that commitment and interest of the ruling class over the need for basic social services to the public at that time, nothing could have been achieved. Therefore, any change and shift in the composition and interest of the ruling class have consequences in terms of how social policy is conceived as instrument of socio-economic development. Nyerere himself appreciated his leadership and government commitment in provision of social services by 1977 when he argued: "...over the last ten years we have done quite well in spreading basic social services to more and more people in the rural areas. More remains to be done; but we shall only be able to do it if we produce more wealth. And we have not been doing very well on that front" (Nyerere, 1977).

Unfortunately, as Nyerere had already observed, attempts at achieving poverty alleviation through equitable access to social welfare needs were eroded by poor economic performance from the late 1970s. This was characterised by a balance of payment crisis, decline in agricultural and industrial production, high acceleration of inflation rate (Table 5.12) and informalisation of employment (Table 5.13)

Table 5.12: Growth of Production, Population and Inflation (annual average %), 1965 to 1987

Indicators	1965-1973	1973-1980	1980-1987	1987
GDP growth rate	4.8	2.3	1.7	5.1
Agriculture growth rate	3.1	0.2	3.8	4.4
Manufacturing growth rate	8.7	2.6	-3.5	4.5
Industry growth rate	7.0	1.8	-2.4	-
Services e t c.	6.9	5.5	0.8	-
Population growth rate	2.3	2.6	2.7	3.2
Inflation growth rate	3.5	15.4	24.9	31.2

Source: Bank of Tanzania (1981-1987); Bureau of Statistics National Accounts of Tanzania 1976-1990 (1991); World Bank (1989:221)

In the case of informalisation of employment, while in 1978 there were about 6.9 million self-employed (of whom 6.4 million were in rural areas) and 0.8 million in wage employment (of whom 0.5 million were employed in the formal sector) and 0.3 million in informal sector, by 1988 self-employed increased to about 8.6 million (of whom 7.8million were in rural areas) and 1.1 million in wage employment (of whom 0.7 million were employed in the formal sector) and 0.4 million in informal sector. Rapid growth of self-employment implied contraction of formal employment and the rapid increase of people working outside the formal socio-economic security system-mainly in low-income earning activities and insecurity susceptible working environment. Moreover, from 1983 employment growth continued to slow as a result of the freeze on recruitment announced by the government for 1983-84.

Table 5.13: Type of employment in Tanzania (1978-1988)

Type	Employment in Millions	
Wage Employment:	1978	1988
Formal urban	0.3	0.5
Informal urban	0.1	0.2
Formal rural	0.2	0.2
Informal rural	0.2	0.2
Total wage Employment	0.8	1.1

Self-employed :		
Urban	0.5	0.8
Rural	6.4	7.8
Total Self-employed	6.9	8.6

Source: Population Census 1978 & 1988

As the economic and financial crises deepened, leading to a fall of government revenue, the government adjusted its revenue by cutting back on resources allocated to the basic social services. The total share of basic social services in the budget declined from 25% in 1970-71 to 20% in 1980-81, 15% 1985-86 and 11% in 1986-87. In other words, while expenditure on all basic needs sectors constituted roughly one quarter of government expenditure in the last years of 1970s, expenditure in 1982 -83 was about 3% points lower. The annual per cent increase in expenditure in basic needs sector was 4% in 1979-80, 5% in 1980-81, and 39% in 1981-82 and 0.8 % in 1982-83 (Appendix, 5C; Kaijage and Tibaijuka, 1996).

The question of what might have led to the drastic shift in development and recurrent expenditure on basic needs sector is relevant here. Notwithstanding the great role played by foreign assistance in maintaining basic needs achievements, withdraw of which must have negatively affected the sustenance of the sector, and the dwindling of economic growth, impact of shift in the composition and interest of the ruling class in the party and government as well as in the IFIs cannot be completely overruled. In fact, might turn to be the most important factor while the other two being used to justify the whole process. In as far as the politics of budgeting is concerned, budgetary allocations reflects the policy priorities of those in control of resources and the budgeting process. In this respect the budgeting process is the battle field of competing interests the result of which must reflect the dominant one. For this matter, a relative shift of power centres in policy making process will be reflected in the budgetary allocation (Ndumbaro, 1993:4). Social group dynamics and shifting policy making power centres as a result of institutional reforms contributed to the decline in budgetary allocation for basic social service sector (see Chapter 6).

For example, the pattern of public expenditure did not discriminate against basic needs expenditure up to 1984 and the government continued to emphasize its committed role on basic needs sector. In June 1984, the government reiterated its commitment and necessity of consolidating the basic services established since independence (education, health and water) and stressed that the desire for maintaining social equity and welfare of workers and peasants without discrimination was to guide implementation of institutional and policy changes (ILO Mission Report, 1988:48). Surprisingly, the 1984/85 budget introduced a change in the approach to basic needs policies by cutting funds channeled to the regions for, amongst others, primary schools and health service by ordering districts councils to collect some of their own revenues to finance social services. As a response, the following policy changes were made from 1984: the subsidy on sembe (the major staple) was abolished and farm-gate prices for food crops and export crops were increased; school fees for secondary education and financial responsibilities for primary education to local councils were introduced; parastatal reforms and changes in the organization of the public sector were announced; and to cushion the inflationary impact of the above measures, minimum wages were raised.

Table 5.14: Development trends between 1983 and 1986

Indicators	1983	1984	1985	1986
Real growth rate (%)	-2.7	+1.9	+2.6	+3.8
Real per capita growth (%)	-6.0	-1.4	-0.7	+0.5
Minimum wage (Tshs.)	600	810	810	1,035
Primary school enrolment (%)	99.7	94.8	83.5	n.a
Inflation (%)	27.0	36.2	33.3	32.4
Annual increase producer price coffee (%)	10	51	30	54
Maize grain price (Tshs. per debe):				
Unofficial	187	240	200	220
Official	80	100	135	220
Exchange rate (Tshs. per dollar)	12.5	18.1	16.5	51.7
Exports (US\$ millions)	379	367	286	248
Imports (US\$ millions)	829	839	997	1,047
of which own- account import scheme)	-	40	232	247
Debt service ratio	30.2	62.1	53.3	63.9

Source: ILO Mission Report (1988:72)

Understanding the impact of these measures is not difficult. A comparison of the minimum wage (Tshs. 820 in June 1984), Tshs. 1,035 in the same Month -1986 and, Tshs. 1,230 in July 1987) (Table 5.14) with the inflation figures shows the deterioration of the position of minimum wage earners irrespective of increase in minimum wages. This is indicative of the position of other wage categories. The social consequences of shifting the financing of primary education from central government to local authorities led to drastic decline in the quality of education and the primary school employment rate dropped from 99.7 % in 1983 to less than 83.5% in 1985. The quality of primary health care was also deteriorating (ILO Mission Report, 1988:74).

As a result of these changes, by the mid 1980s most workers could no longer support their households. Household members began to engage in parallel market activities to supplement their dwindling incomes. The growth of parallel economy and its interlinkages with formal sector activities provided a “buffer” for socio-economic insecurity. The question posed by the ILO Mission was whether parallel activities were to continue to provide a “buffer” for future shocks, and whether the government could rely on that “*safety-valve*” for years. Part of the answer to this will be reflected in subsequent Chapters. However, the foregoing analysis indicates that growth in informal production and exchange; informal employments and self-employment and; parallel market economy were to become quasi-permanent aspects of development in the country.

5.4 Conclusion

The struggles against poverty and inequality during the post-independence period alternated between two concepts of poverty: the basic poverty and enforced poverty. The first was associated with differences in natural resource endowments and limitation of both tribal subsistence and colonial economy. Although measuring net geographical product in an underdeveloped territory in which the majority were engaged in traditional subsistence activities could be misleading, the basic poverty concept provided a starting point in understanding the impact of differences in natural resource endowments, integration in modern economic sectors and climatic conditions on poverty and inequality. The restrictive effects of insufficient resources and the limitations of what climatic conditions can provide for development attracted biased colonial development favouring a few regions and creating conditions unfavourable for the majority to escape poverty and at the same time setting in motion inter-regional development inequalities. It was also associated with a

problem of institutional incoherence in which the restrictive nature of both of the economic systems affected people in their mode of wealth creation and accumulation. Predominance of tribal subsistence economy for example, undermined the emerging market activities, while the latter exacerbated regional inequalities.

However, ujamaa re-defined poverty and associated it with enforced socio-economic inequality and insecurity due to dispossession of, and limited access to, resources as a result of capitalism. This approach put emphasis on achieving poverty alleviation through redistribution and equitable access to basic needs while undermining economic production. The impact of this was the weakening of economic foundation for poverty alleviation and sustainable socio-economic security which became one of the justifications for the return to “the basic poverty” approach and neo-liberal reforms in the mid 1980s.

PART THREE



The Content

Chapter 6

From Ujamaa to Ubepari:⁴⁰

The Mode of Institutional Reform and Social Group Dynamics (1980-1995)

6.1 Institutional Reforms in Perspective

A careful review of literature on State formation and socio-economic development in Tanzania reveals basically two perspectives on the politics of institutional reform which help to explain the character of the mode of reform and its resultant institutional order. The first perspective is *institutional dualism* associated with *the basic poverty* concept discussed in Chapter 5. According to this perspective, the underdevelopment of Tanzania or the continuation of its poverty is founded on the disintegration of the ‘traditional’ peasant economy into a “modern” market economy (formal economy). Ujamaa, according to this perspective, was characterized by “excessive state-directed economic activities”, or what Tripp and Swantz (1996) called “directed development”, which undermined the “competitive peasant based accumulation” in favour of state-based accumulation—a version of “accumulation from above” (Neocosmos, 1993:145) or, as Gibbon (1993:24) characterised it, “the model of public economic accumulation”. This state-regulated model of accumulation perpetuated the same evils that it sought to undo—poverty, inequality and insecurity. Therefore, the only way to promote development and alleviate poverty, according to this perspective, was to remove what Mlambiti called “the Ujamaa virus” (1999:29) from the economy and politics through institutional reforms. Promotion of capitalism and money earning activities became part of development and anti-poverty initiatives.

The second perspective is *the pragmatic-nationalist critique* of traditional institutional dualism, again, associated with *the enforced poverty* concept of the Ujamaa era. Although it has never provided a clear, strong alternative to the “dualist” perspective, it has retained the fundamental argument that poverty in Tanzania is founded on the integration of the traditional peasant economy with an “exploitative and immoral capitalist economy” (Nyerere, 1962, 1967, 1987). According to this perspective, poverty is a function of the inequality and insecurity resulting from the exploitative and competitive capitalist economy, at both international and national levels. As Nyerere once argued: “What is wrong with capitalism? To my mind, capitalism went wrong when it divorced wealth from its true purpose...the banishment of poverty; and wealth is to poverty what light is to darkness...When wealth is accumulated, not for the satisfactions of basic needs, not for the abolition of poverty, but for the purpose of acquiring power and prestige, then wealth is no longer to poverty what light is to darkness. Here wealth begins to tolerate poverty, by undermining anti-poverty social desires (*emphasis added*, Nyerere, 1962). Therefore, Ujamaa provided a model of public economic accumulation, which insulated society from ruthless capitalist exploitation and its consequent inequality and insecurity as a pre-condition for poverty alleviation. In other words, Ujamaa aimed at preserving the institutional order (the customary order) that is necessary for the functioning of what Polanyi called the “human economy”, Scott’s “moral economy” or even Hyden’s

⁴⁰ Ubepari is the *Kiswahili* word for “Capitalism”. After Arusha Declaration it was taken to be the opposite of Ujamaa and stigmatized as associated with immorality, exploitation, selfishness, individualism and disrespect for human equality. In this study, this term is used to represent the capitalist market economy adopted in Tanzania to replace the Ujamaa statist economy from the early 1980s.

“economy of affection” which, according to this perspective, has a greater sense of humanity and security than a capitalist economy (Tripp and Swantz, 1996:11; Scott, 1976; Nyerere, 1962, 1966, 1967a & 1967b). Moving away from the moral economy of Ujamaa which prevents the majority from becoming capitalists and exploiters of their fellow citizens, could achieve little more than perpetuate the poverty, inequality and insecurity in the country.

6.2 The Politics of Institutional Separation and Group Disintegration

6.2.1 The Party-IMF Tension

Tanzania’s submission to neo-liberal reforms began with a protracted stand-off with the Bretton Woods institutions in the early 1980s before the beginning of a gradual transition to a market economy (Cooksey, 2003:69) to mark the official beginning of “the second capitalist experiment” following “an aborted Ujamaa experiment”.⁴¹ Initially, both the party and government protested against Bretton Woods’ neo-liberal reform proposals that were based on a diagnosis that it was Ujamaa and its policies which had plunged the country into an acute socio-economic crisis, questioning in particular, the behaviour of the IMF which, according to Nyerere, had acrimoniously transformed itself into an “International Ministry of Finance” without the international community’s consent (Baregu, 1993). In its “Mwongozo wa Chama (*the party guideline*)” of 1981, the party reiterated its position on the predicament of the economy in the country by insisting that, it was caused by oppressive and exploitative capitalist international business system and not Ujamaa policy (CCM, 1981:14).

As a result of these divergent views, the government (supported by the party) and the IMF were locked in a protracted conflict over which policies and reforms were appropriate for addressing the problems (Baregu, 1993:107). While, the IMF maintained that Tanzania must change its economic policies by limiting the role of the state in the economy in order to allow room for the market forces to operate freely, the government insisted on Ujamaa policies and castigating the former for taking advantage of the country’s crisis in order to impose capitalist system. As a result, the government adopted the National Economic Survival Programme (NESP) in 1981 as its own initiative against the crisis. However, the programme never succeeded partly, because of lack of financial support from the donor community and international financial institutions (Kiondo, 1992:23-24).

6.2.2 The Party’s Soul-Searching and Coalition Politics

During the same period, the party began to engage in self-examination, the end result of which, was acknowledgement of three facts: that the economic problems gripping the country were partly a result of failure to lead the citizens towards the envisioned development; that public resources were being destroyed or misused and; that there was an increasing tendency among government officials to misappropriate and embezzle public property (CCM, 1981: 22; Mkandala, 1995:58). That “soul searching” and confession played a role in justifying the country’s transformation and opening up of an avenue for the

⁴¹ Shortly after gaining independence in 1961, Tanzania adopted the capitalist-market economy inherited from the colonial economy as her first “capitalist market economy” experiment in a newly independent country. The experiment ended in 1967 following the adoption of the Arusha Declaration, which introduced Ujamaa as the “first Socialist experiment” or what Yeager (1982) called “*An African Experiment*”. Therefore, the re-adoption of a capitalist market-economy from the early 1980s was the second experiment after the failure of Ujamaa.

domestic anti-Ujamaa groups to resurface under the guise of searching for solutions to reverse the then deteriorating socio-economic conditions.

6.2.3 The Triumph of the bureaucrats

The first of these groups was the bureaucrats who, according to Costello (1996:123), throughout the ujamaa period, had relentlessly opposed the initiatives of the political authorities to render them subordinate and responsive to the Party and its definition of the social role of the state. There is an important observation here. In the late eighties, Adam Przeworski, in his studies on the problems associated with transitions from authoritarian regimes, observed that, in most cases, “the transition from authoritarian rule is possible only when there is a viable alternative” (Przeworski, 1986 quoted in Costello, 1996:123). The argument is that, while an economic crisis may erode the capacity of the existing regime, thereby eroding its legitimacy and empowering intervention by an outside force, that factor alone does not necessarily determine a transformation of that regime. In the Tanzanian case, the economic crisis eroded the capacity of the government and the ruling party to cater for the needs of the society which in turn, triggered their legitimacy crisis. Initially, however, the crisis of capacity and legitimacy and intervention by the IMF generated only certain policy shifts. This result confirmed the argument that “it is only when a sufficiently coherent counter coalition exists within the state to represent an alternative ruling elite that the state transformation is possible” (Costello, 1996:123).

According to Costello, the crisis of the state capacity and intervention of foreign actors generated such a transformation because the bureaucrats presented a political counter coalition that made it possible for other likeminded groups to join. The important questions are: Why did the bureaucrats develop into such a strong counter coalition? And what are the implications for the institutional and policy reform in the country in general and for poverty alleviation initiatives in particular? Finding answers to these questions is one of the aims of this study; however, at this point, let it suffice to say that the reasons for this phenomenon lie in the weakness of the reforms associated with the restructuring of the state and economy. Costello identified some of these weaknesses: the bureaucrats were never adequately incorporated into the party (CCM)-dominated state; and their retention of their elitist norms, viewing themselves as a development vanguard, contrary to the role specified for them by the party (1996:123). According to him, although the political authorities sought to render the bureaucrats subordinate and responsive to the Party, which defined the social role of the state, the degree of bureaucratic autonomy remained high. When the economic crisis undermined the party’s capacity and legitimacy, the bureaucrats were never fully incorporated into it and, bolstered by their ties to foreign actors; they became an increasingly coherent and dominant force within the state, defining a new role for the state in society. Therefore, he concluded, these factors permitted them to become a counter authority. One interviewee explained the situation in this way:

Truly, the issue of reforms should not be seen as a current initiative and fundamentally externally imposed. In terms of origin, there are two explanations: one, the initial reforms - in mid-1984, under structural adjustment, they were pushed by the international financial institutions which took advantage of the then deteriorating socio-economic conditions in the country to enforce those changes. Although the government resisted, it had to succumb to the pressure because there were no reliable alternatives; two, from the early 1990s, there was a growing convergence between the IFI’s interests and those of most of the developing countries’ governments, including Tanzania, and therefore the question was not an imposition of reform but partly a domestic initiative too. However, these domestic

initiatives should not be seen in isolation of the requirements that the international financial institutions and donor community imposed on the government due to its dependency on aid (Interview No. 19).

Moreover, the politics of structural adjustment that favoured bureaucrats over the Party, combined to transform the state (Costello, 1996:124). What Costello forgot was the fact that Ujamaa, as both an ideology and mode of production, was characterised by what Campbell and Stein (1992:8) called “*Ethical Duality*”-the existence of vague ideological postures containing egalitarian ideals and goals along with the ideals of capitalist private accumulation-indicating the existence of what can be termed “*Ujamaa embedded capitalism*”. Therefore, while the rhetoric of Ujamaa, together with its institutions such as the leadership code of ethics, prevented the reorganization of the legal instruments of the state for individual accumulation, its ideological posture and institutional weakness provided opportunities for individual private accumulation and for public officials to contemplate the validity of the policies related to individual property ownership and private enterprise. As we shall see, during this transition, while the party maintained the Ujamaa ethical standards, the government, influenced by both domestic and foreign private interests, pushed for capitalist ethical standards using the same Ujamaa ideological posture as the justification of the call for neo-liberal oriented reforms.

Furthermore, we have seen in Chapter 4 that, the evolution of bureaucracy in Tanzania was associated with less integration and conformity to the general societal ethos and interests. Unlike in developed societies (like in Europe) where the emergence of the State and its bureaucracy was part of the general social transformation, in developing societies like those in Africa, these same institutions were imposed from outside. The experience in the ex-colonial Tanzania shows that, the formation of the modern state and bureaucracy was not the product of the material conditions of the society. These institutions were imposed from outside and carried with them, functional and ethical logics contrary to those found in society. Their link with society in which they operate and supposed to serve is weak to guarantee any reasonable responsiveness to its needs. In other words, while bureaucracies in Europe were institutionally and ethically linked with the society and made responsive to its needs, in Tanzania the bureaucracy is delinked from the society. Its allegiance as public institution resides outside the society and therefore, it has little incentives to respond to societal needs unless there is a convenient point of unit of interest between its members and those of the society. However, it is important to note that the bureaucracy does not necessarily constitute a coherent social group due to various factors including diverse influence from Western education and development doctrines which sometimes makes it isolated from the society and vulnerable to external interests.

But in reform process, the bureaucrats knew how difficult (because of the nature of the State formation) it was to push for liberalization and benefit from it without creating alliances with both the domestic and international commercial and business class and some likeminded political/governing elites in the Party. Fortunately for the bureaucrats, the Party’s confession also aroused the interest of the other groups, particularly members of the intellectual community at the University of Dar es Salaam, the majority of whom were US-trained, neo-classically oriented economists from the Department of Economics and its Economic Research Bureau (ERB). Again, interesting questions here are: Why did the Economists rise as key actors in the reform and policy making processes during that period? What were the implications of their rise and dominance in the reform and policy making processes to the country’s development in general and poverty alleviation in particular?

6.2.4 The Rise of the Economists

The rise of the Economists as key players in institutional reforms and policy-making system in the country can be understood when put within the context of: *first*, expanding corporate global capitalism and its struggle for centres and groups necessary for promoting corporate global capitalist economy and governance and; *second*, shifts in higher education lending policies in African countries in 1970s and 1980s.

According to Utting and Zammit (1991:6), corporate globalization-a process of restructuring and legitimisation of global economic system that is not only increasingly interdependent and interconnected but also moulded and controlled by global corporation and corporate elites-took place through, among others, privatization, foreign direct investment, commodification and expansion of global value chains and cultural penetration. This process involved the capture of higher education system and the strategic knowledge centres and economic institutions in developing countries. This was seen as important strategy of recruiting corporate globalisation agents who would become counterparts to global corporate elites in promoting and managing a new set of institutions and relations that promoted global capitalist economic ethos and governance. This was the logic underpinning the Washington consensus's higher education lending policies in Africa.

From the mid 1970s the IFIs and particularly, the World Bank, began to emphasise the importance of primary and basic education, urging for the need to raise the proportion of lending to this sector at the expense of higher education (World Bank, 1974; Brock-Utne, 1996:336). At a meeting with African Vice-Chancellors in Harare in 1986, the World Bank gave reasons as to why higher education had been and continued to be not a priority to IFIs. Its argument was that, higher education in Africa was a luxury and therefore, most countries were better off closing universities at home and training graduates overseas or produce only those skills which the markets demanded (Brock-Utne, 1996:336; Banya and Elu, 2001: 24). Despite the opposition from policy-makers that, education contribution to economic growth and reduction of poverty could not be achieved by expanding basic education and limiting higher level man power training and expansion of indigenous capacity in research and expertise, the World Bank maintained its position. Furthermore, many fields which were singled out for lending cut-backs were social sciences, including economics and politics. Thus, they had to be studied outside Africa, mostly in Northern America or Europe.

Many scholars saw the effects of this lending policy a further starvation of higher education and intellectual life in Africa (Brock-Utne, 1996:338) and the vanishing of national priorities based on indigenous research findings and the preponderance of foreign institutions in policy-making (Mkandawire, 1990 quoted in Ibid. p. 339). The tricky way in which the issue of higher education lending was posed left little room for contemplation of the hidden global agenda of corporate global elites, who needed counterparts all over the world.

As a result of this, governments and universities were forced to meet the crisis by seeking donor support for departments, faculties and research institutes which came in a form of "*link arrangements*" mostly between the government departments and universities in Africa and North America or Europe. In the case of universities, in most cases, graduates

were sent to North America and Europe for studies and even when they were to be trained in Africa, experts, books, and curricula offered were from donor countries (Brock-Utne, 1996:338). The following quotation from the University of Dar es Salaam Staff Assembly's (UDASA) Editorial Newsletter, captures the character of the link phenomenon:

The situation at the University of Dar es Salaam is a microcosm of that in the nation as a whole. Here, in the midst of filthy toilets and classrooms with broken windows and furniture thrives the *link phenomenon*. Virtually every department, under the threat of material and intellectual starvation, has been forced to establish links with one or more institutions, mostly from the West. We depend on the links for the training of our junior staff, for teaching material and equipment and a host of other things. The link agreements are, almost without exception, as unequal as would be expected (UDASA, 1990: 1)

The result of the link phenomena was creation of a group of economic elite trained in the West and mainly in the Northern America, indoctrinated with neo-liberal development doctrines. Through their training, they became expatriates with great allegiance to corporate global capitalist interests and priorities than those of their own country. By the late 1990s, many of these economists⁴² had moved into government departments and established the most influential policy-oriented NGOs (ESRF and REPOA),⁴³ through which they began dealing with the IMF and offering advice and consultancy to the government. They also became the main actors in an enclave policy-making system, as local policy experts. They therefore, provided much of the momentum that sustained the reforms in the late 1990s and became important drivers of the later reforms and the changes in the functioning of the government.

From this perspective, the rise of the Economists cannot be considered as a mere coincidence, but a predetermined outcome of corporate global capitalist interests. For example, Utting and Zammit (1991:7) argued that, the logics behind a worldwide call for promotion of private-public partnership are nothing but creation of organised and hegemonic interests of corporate and other elites as part and parcel of their strategy to monopolize and exercise intellectual, moral and cultural leadership which promote global capitalist economic system and corporate governance. So, the link projects and technical training schemes were part of the several set of instruments used to expand, consolidate and reinforced the logics of corporate global capitalist economy and governance. The reduction of higher education lending and creation of "link projects" paved the way for the Economists' capture of reforms and public policy-making processes in the country.

Back to coalition politics; finally, the IMF found domestic allies (the neo-liberal economists at the University of Dar es Salaam; the state bourgeoisie composed of the bureaucrats and some officials in the party and the government; and emerging private business community, mostly Asians). The struggles between the *Ujamaa* coalition (mainly

⁴² They included professors Benno Ndulu, Joseph Semboja, H.K.R Amani, Samuel M. Wangwe and N.E. Osoro; Doctors Servacius B. Likwelile, and Ben Tarimo. By 1990s, many of these had moved on (and up) from the University. Professor Benno Ndulu and Dr. Tarimo went to work at the World Bank; Professors Wangwe and Amani joined the Economic and Social Research Foundation (ESRF); Professor Osoro joined the Ministry of Finance's think tank, while Dr. Likwelile went on to become head of Poverty Eradication at the Vice President's Office. Currently, Professor Ndulu is the Governor of the Bank of Tanzania (BOT).

⁴³ According to Holtom (2002) the organisations themselves (ESRF and REPOA) formed a duopoly dominating the Tanzania consultancy field, and were heavily donor funded, in the case of REPOA by the Netherlands, in the case of ESRF, by the African Capacity Building Foundation (ACBF). He also quoted the currently executive director of ESRF (Prof. Amani) going as far as describing ESRF as the 'World Bank's baby'

among those in the Party plus a few members of the government) on the one hand, and the *Ubepari* coalition led by the IMF on the other began. Capitalising on the deepening crisis, the dwindling capacity and legitimacy of the Party and the government, and the “silent strikes” and continuing drifting away of the masses from the formal institutional circles of the state and the Party, the *Ubeparists* finally began forcing the *Ujamaaists* to succumb to their demands.

6.3 The Beginning of the End of Ujamaa

In 1982, the government (on the basis of the advice of the externally oriented advisory group -the Tanzania Advisory Group-TAG), adopted a programme known as “home-grown Structural Adjustment”, which initiated reforms which marked the turning point towards market-oriented policies. This was the beginning of the end for Ujamaa and its policies and institutions. It was a capitalist programme in spirit, character and intent, but sugar-coated with Ujamaa rhetoric to deceive the political leadership and other social groups who might have sensed the negative consequences of its adoption. For example, the proposed changes included: stimulation of exports through currency devaluation; introduction of a sliding-scale price system as a way of promoting effective marketing and producer prices to boost export production; cutbacks in government expenditure and reductions in the rate of monetary expansion; and improvement of efficiency in the parastatal sector. It is important to remember that, the TAG was a technical group and its suggestions reflected the technical-economic rather than socio-political aspects of the crisis.

To allow a technical team to advise on reforms (which had been the domain of the Party) had significant implications. First, the party and its leadership acknowledged their failure to provide reliable policy options to solve the problems of the country. Second, it indicated acceptance of the substitution of the politically-informed policy-making processes predominant during Ujamaa, for policy-making processes that were technically dictated and based on the economic logic of market system. Third, the beginning of the transfer of policy and decision making from the leadership of the Party to technical groups outside the party and government but which had close affinity with the bureaucrats and allegiance to the Bretton Woods Institutions. Interestingly, these “policy advisory technical groups” were based on research institutions mainly formed and run by economists from the University of Dar es Salaam. Lastly, was the creation of “*an enclave policy making group*” that was in control of the policy processes, claiming a monopoly of knowledge about what was good for society (Chachage, 2004:1). Therefore, at the heart of the reforms in the early eighties was the emergence of the policy making model close to what Mkandawire and Soludo (1999: 24) referred to as “the capture of policy’ by societal elements in a manner that particularizes policy and drives it away from the larger societal concerns”.

Parallel to these developments were overgrowing second (informal) economic activities which, under Ujamaa, were categorised as unproductive and unwanted seedbeds of capitalist exploitation, and legally prohibited. Despite government’s efforts to suppress this sector, its activities continued to expand, as both the means of survival for the majority poor rural population and workers in urban areas and as a means of illicit private wealth accumulation by the state and private bourgeoisie (Maliangkono, 1985:13; Lipumba, 1989:9; Mkandala, 1995:62) which became the foundation of corruption in the country.

6.3.1 Legitimizing Protected Capitalism⁴⁴

In June 1984, the government adopted a budget which placed emphasis on reforms in the direction of liberalization. The following were announced: abolition of subsidies in various economic areas such as agriculture (on maize flour, the main staple food and fertilizers); reduction of a number of commodities on the price control list; and devaluation of the shilling. More importantly, a reform that had profound economic and political significance was liberalization of the external trade arrangement. In this, the participants in the then muted and protected capitalism, who had accumulated foreign currency, were allowed to import goods and sell them at market-determined prices (URT, 1986b:16; Kiondo, 1992:25 & 30; Bryceson, 1993:27)

Again, like the 1982 reforms, these changes had significant effects. First, they marked the second step towards neo-liberal policies away from Ujamaa, not only contradicting Ujamaa policies and ethics but also challenging Ujamaa ideology and the institutions associated with it, including the Party and the state in general. Second, by adopting these changes, almost all the Ujamaa institutions, including the most inspired “leadership code”, were rendered obsolete, exacerbating the Party and government’s legitimacy crisis. Third, they set free the commercial and business class, who were hiding behind the protected capitalism from “the Ujamaa prison” of anti-individualism, private property ownership and economic engagement. They reinstated the value of money (as the key factor for development) which until then, had been castigated as the root of all evil by the majority of Tanzanians. Lastly, they implied a *de facto* declaration of the public official’s freedom to participate in private accumulation. Therefore, by late 1984, the reform movement was shifting from an externally oriented process to one that was putting down domestic roots. This was the beginning of the opening up of the country to capitalism and rejuvenation of the “protected capitalism” created during Ujamaa. Capitalists (both foreign and domestic), who were treated as lepers by the state bourgeoisie and who were never welcomed into the Party, and the government or any other policy organs and were constantly under ideological attack (Kiondo, 1992: 26 & 62) were made partners, and attracted to make private investment in the country.

The post-1984 era was marked by the beginning of state reorganization. Nyerere stepped down from the presidency in desolation that the government was abandoning Ujamaa and hence betraying the masses (Baregu, 1993:108). While he still retained the chairmanship of the party, Mwinyi was elected president so, for the first time, the leadership of the two important institutions was separated (Bryceson, 1993:31), meaning that the government could engage in some of its activities without necessarily engaging with the Party. As a result, the government quickly embarked on negotiations with the IMF in 1985, and accepted and adopted economic reforms proposed by the Fund in 1986. In 1987, the first phase of the Economic Recovery Programme (ERP) began to be implemented, after which external forces began to be deeply involved in the policy-making in different parts of the state (Mukandala 1995:61).

By the end of 1980s, private capital had already been accepted as the basis of the socio-economic development of the country. The opening up of the economic gates to both foreign and local capitalists and enticing particularly local capitalists to invest meant that

⁴⁴ According to Mlambo (1999:29), Ujamaa created what he called “protected capitalism” for the people in power” and for the Asian business class, which was allowed to run private business in the market economy of the Ujamaa regime.

denunciations of capitalists as exploiters and money as the root of all evil gradually died away. In this regard, “partnerships and other business relationships between the private bourgeoisie and state bourgeoisie had been consummated” (Mkandala, 1995: 62), even when the Arusha Declaration and its Ujamaa ideology and associated institutions were still at work. These developments gave the majority of workers and peasants, whom the government and party had promised to protect, an astonishing surprise. While they were surprised, the government began the process of denationalising some of the properties that had belonged to members of the private bourgeoisie, before abandoning the “the leadership code” in February 1991.

Finally, against the wishes of the majority of Tanzanians,⁴⁵ the government enacted the Political Parties Act No. 5 of 1992, which set out procedures for establishing political parties, and legalized the competitive multiparty political system from above. This was accompanied by emergence of elitist civil society organizations created mainly by the emerging middle class as “technical projects” for socio-economic gains, and, on the other, the mushrooming of weak “primary level organizations of the society”, isolated from the socio-economic and political institutional order acting as survival nets for the majority of the poor in both rural and urban areas (Sansa, 2004; Shivji, 2003). The adoption of multiparty politics marked the end of the process of separating the state from both the Party and society, thus making it susceptible to predatory private bourgeoisie. It specifically eroded the accountability umbilical cord between society and the government, rendering control of the government by the masses virtually impossible and thus providing a fertile environment for corruption to flourish.

6.3.2 The *Ruksa* Economy and the Rise of the *Nyang’au* Society

1985-1995 is well known as the “*Ruksa*” period, in which every Tanzanian was left to do whatever s/he liked. *Ruksa* is the Kiswahili word for “permit” and is closely associated with the concept of “*Laisser-Faire*”. This concept emerged in the political and economic discourse in the country during the government of President Mwinyi (1985-1995), who was nicknamed *Mr. Ruksa* (*Mr. Laisser-Faire*). According to Hussman and Mmuya (2007:183), *Ruksa* “was a reference to the ease with which all necessary permits could be gained under his rule” [regardless of their authenticity]. *Nyang’au* is also a Kiswahili word meaning “dirty dog” or “bloody brute” (dog eat dog) and it specifically referred to Kenyan capitalism, which was considered by the leadership and many Tanzanians during Ujamaa as cannibalistic capitalism of the highest immorality. So, during Ujamaa, the Kenyans were simply referred to as “the *Nyang’aus*”; an example of a society with nothing to emulate. Interestingly, during reform processes the *Nyang’aus* turned into “partners in development” and the leading African investors in Tanzania!

This period witnessed the rise in the defiance of primitive private wealth accumulation through the plundering of natural resources using both private institutions and the State machinery. A *nyang’au* society emerged and, after capturing the State, it began preying on both the state and society. No services whatsoever could be obtained without corruption. The *nyang’aus*, being in control of both the economy and the state, paralysed the state, enjoying their self-imposed tax holidays and foreign aid⁴⁶. Thus, by the end of 1995, the

⁴⁵ The Nyalali Commission Report (1991, vol. 1 pp 69 and 70) on whether Tanzania should opt for a Multiparty System indicated that 77.2% (of the 36,299 Tanzanians interviewed) wished to retain the Single Party system, and only 21.5% wanted Multiparty politics, but the government proceeded to change the system, against the majority’s wishes, in 1992.

⁴⁶ At some point in the early 1990s, Nyerere, being provoked by the growth of corruption in the country, decided to speak out against his own CCM-party government, that it was stinking with corruption, had failed to collect taxes from big businesses, and kept itself busy chasing innocent small business groups.

level of corruption had increased, resulting in “a near abdication of the government from its reformist role causing a slowdown in reform process and exodus of key development partners” (Kilindo et al., 2006:8). Therefore, a group of “predatory elites” (Husmann and Mmuya, 2007:177) established itself, exploiting opportunities arising from the reforms and able to manipulate the State and the economy in its favour.

6.4 The Economic power transfer and Aid-dependence Syndrome

One component of the second generation of reforms in the early 1990s was privatization. This implied the handing over to the private bourgeoisie as many as possible of the economic functions and associated benefits previously enjoyed by the State bourgeoisie. This involved the shift of economic power from the State to the private sector. The reforms provoked “the vested interests” of the State bourgeoisie and unearthed the question of the lack of local ownership of reforms, about which, despite being the main weakness of the IMF/World Bank imposed reforms since the early 1980s, the State bourgeoisie kept silent. Moreover, the question of the local ownership of the reforms was mainly discussed in isolation from the question of the economic power shift due to the reforms and it was presented simply as a matter of “weak Tanzanian ownership of programmes and projects for which aid was received” (Helleiner Report, 1995:9).

Despite the IFIs and donor community acknowledgement of the need to respect the local ownership of reforms, they never put it into practice. Many Tanzanians and the government alleged them of having their own individual agendas and being reluctant to conform to national priorities and paying little more than lip service to the principle of local ownership. As a result, the government became passive and reluctant with regard to the reforms proposed by IFIs and donors. The government’s passivity and reluctance was also contributed by what the Helleiner Report (1995:13) called the “aid-dependence syndrome” which, according to it, had created an attitude of mind in which, over time, it came to be expected that most initiatives would originate from the donors, while the government and its officials feeling overwhelmed by the magnitude of the task of trying to impose their own will.

We do not dispute the report’s observations; merely insist that the reluctance of the government to cooperate with its partners stemmed from their privatization agenda introduced during this period which antagonized the state bourgeoisie. The most pressing issue was the shift in economic power from the State to the foreign-dominated private sector. The implication was that the process was leading to a double deprivation of economic power: from the majority of poor Tanzanians and from the State bourgeoisie, who were the only people in control of the economy. The reasons for that fear were clear: while on the one hand, the historical circumstances had made it impossible for indigenous Tanzanians to engage in market activities and had suffocated their entrepreneurial capacity required for them to benefit from privatization process (URT, 2004), the same processes promoted the enormous power that Asia wielded in the national economy and which rose significantly after trade liberalization in the mid 1980s (Kilindo et al., 2007:34). The state bourgeoisie immediately came to the conclusion that the whole process of privatization meant only one thing: depriving them of economic power and consequently their capacity for maintaining political power. This was seen as the agenda of the private bourgeoisie, carried out under the guise of the imposed aid conditioned reforms. Capitalising on the issue of local ownership, the government decided to let the donors play their own song, alone. As one interviewee observed:

You know...the issue of the...relationship between the Mwinyi government and donors and the allegations that it was corrupt and did not bother to collect taxes and so on, for me, I see it in a different way. It is not that the government simply decided not to collect taxes and be passive about the reforms proposed by the donors...I think there was something behind the whole issue...I remember from the early 1990s that there was a growing concern over the privatization of the parastatals, which was the main economic base of those in power and although, before that, there has been a growing convergence between the IFI's interests and those of the government, the question of privatization created a temporary divergence. The donors misconceived the problem. Here, the issue was the government officials' loss of economic power to a group of minority Asian businessmen. Do you remember the issue of *indigenization*? Eheee! So, when the IMF and World Bank, supported by the donors, began pushing for the privatization agenda alongside the aid programmes, what did they expect? That was their own "song" and the government let them play it alone! (Interview No. 6)

6.5 The Church: An Emerging Counter Resistance Force

After independence the leadership declared that, while the government didn't have religion, people did, and were free to join and worship in any religion of their choice. So, unlike other social organisations religious associations were left to operate autonomously. Nyerere himself, was a practicing and devout Catholic, who however, never permitted his religious convictions to interfere with his leadership. In his search for attributes of "a good society" to be developed in a newly independent Tanzania he was inspired by the teachings of his Church in the 1960s and 70s. Thus, his approach to a good society to be constructed through Ujamaa was in line with the teachings of the Catholic Church on social justice (Table 6.1). In both the teachings of the Church and Ujamaa, there was a primary concern for commitment to moral and collective responsibility in the development of man. The sharing of what constituted a good society created a point of unit of interest and shared social responsibility between the Church and Government. Ujamaa was considered a true reflection of the Church teachings in the eyes of the Church leaders and therefore, needed support and respect. Many schools and hospitals which were under the Church were given to the government to facilitate its basic-needs provision schemes. The Church and government existed in harmony and mutual respect throughout the Ujamaa period and Nyerere's life in political office and in retirement.

Table 6.1: The link between the Catholic Church and Ujamaa approach to a "good society"

No.	Key Aspects	Teachings	
		The Church	Ujamaa
1.	Human Dignity and Rights	<ul style="list-style-type: none"> ➤ Dignity means respect for the human body and the quality of human dignity demands that excessive economic and social differences between the members of human family be eliminated. ➤ Man has the right to live, including the means necessary for the proper development of life, namely food, clothing, shelter and medical care and necessary social services 	<ul style="list-style-type: none"> ➤ The right to dignity and respect implies that a person be guaranteed the necessities of life. ➤ There is no human dignity in extreme poverty or debilitating disease nor in ignorance
2.	Duties of the Person	<ul style="list-style-type: none"> ➤ The possession of rights involves the duty of implementing those rights, for they are the expression of a man's personal dignity. ➤ The right a person has to provide a livelihood for himself and his 	<ul style="list-style-type: none"> ➤ The state has the function to organize men inequalities to serve their equality. ➤ The equality of all people guaranties their rights, which in turn imposes certain duties.

		family imposes on him the duty to work	<ul style="list-style-type: none"> ➤ Rights come with duties and there is no such thing as socialism without work.
3.	Development	<ul style="list-style-type: none"> ➤ All things on earth should be related to man as their centre and crown. ➤ The right to development is the right to take an active part in the shaping of one's own life. ➤ As a liberation, development is concerned with interior freedom on man which opens his heart to the needs of others 	<ul style="list-style-type: none"> ➤ The purpose of and all social activity is the human person. ➤ Man cannot be developed, he can only develop himself ➤ Ujamaa is fundamentally an attitude of mind in which one sees every person as his brother and people care for each other's welfare.
4.	Private Property	<ul style="list-style-type: none"> ➤ The goods of this earth are intended for the use of every human being. ➤ The right of the state to regulate the control over property is derived from God, as a way of bringing to society peace, prosperity for all and long life. 	<ul style="list-style-type: none"> ➤ Exploitation is making a living from the work of others and the source of this kind of exploitation is private ownership of the means of production. ➤ Communal property is necessary to limit private property ownership which exert control over others and perpetuate exploitation
5.	Leadership Morality	<ul style="list-style-type: none"> ➤ Politics is the affirmation of the duty of every living Christian based on moral obligation to the good of his fellow men 	<ul style="list-style-type: none"> ➤ For a country to develop, it needs good leadership and good leadership must be ethical and uncorrupt

Source: Ujamaa (Nyerere, 1967, 1968, 1973); the Church (Duggan and Civile, 1976)

The tension between the government and religious associations began in the early 1980s following the economic crisis and consequent state transformation which affected the economic and social roles that the government played during Ujamaa. Furthermore, the erosion of the dominance of the ruling party which combined in it, socio-economic and political roles, the weakening of the capacity and legitimacy of the government and the party as well as the shift away of policy priorities from basic-needs oriented development further severed the relationship. As many people (who happened to be Church members) were subjected to socio-economic insecurities as the party and government began withdrawing from Ujamaa in the mid 1980s, the Church expanded its role in providing basic social services. As a result, some of the schools and hospitals which the government took from the Church during Ujamaa were brought back.

Moreover, the impact of privatization, particularly, the transfer of resources from the state (public) control to private companies and individuals, mostly Asian businessmen and foreign investors and the alliance of the government officials and businessmen in resource exploitation which became vivid in 1990s and 2000s (see Chapter 9) threatened the economic security of the majority of poor members of the Church. This coincided with the call for economic self-dependence of African Church particularly the Catholic, which had been dependent on aid from Vatican and Western Churches. The Church was also subjected to global capitalist economic changes and commercialization of various products and services some of which were produced by it as part of a response to the call for self-sufficiency and economic independence. Increasing pressure on socio-economic services provided by the Church due to government failure, erosion of resource base of the Church and its members due to corruption and the fact that, effective delivery of church services requires sustained access to resources made its intervention inevitable. The question of struggle for resources which corruption seem to work at the disadvantage of the Church and the freeing out of the country, most of resources which Church leaders thought could have been re-invested in the country for its benefit and that of its members, cannot be ignored.

Thus, economic reforms deprived the majority of Church members of economic opportunities at the time when it needed their economic support most. The Church attributed these problems to the abandonment of Ujamaa and consequent declining leadership morality and care for the poor in favour of corrupt private wealth accumulation. Part of the response to these problems has been the expansion of various economic activities such as establishment of Banks and Microfinance schemes as a way of providing accessible and secure economic opportunities to members and expanding its financial and economic base. It also began the struggle against corruption in the government and misuse of natural resources.

The Church maintained that, the main challenges of leadership facing Tanzania were still the same as those for which independence was fought for: poverty, ignorance, diseases, corruption and exploitation. But unlike those days, the Church argued, those problems were not a result of absence of resources, but defective leadership, policies and development plans and priorities which the Tanzanians are forced by developed countries to adopt-an *enforced conception* of poverty. According to the Church, problems of poverty, ignorance, diseases and exploitation do not affect the government officials and their international counterparts. This makes them less concerned to the sufferings of the affected-the poor. Furthermore, development priorities are biased in favour of economic sectors of which the government officials have interest and they give the same sectors to foreign investors with favourable investment conditions which are detrimental to the lives of the poor. So, in the views of the Church, the central problem was in the government authorities that are corrupt, individualistic, unaccountable and irresponsible to the needs of the nation and the poor. Thus, a new leadership that was moral and capable of bringing development and hope to all (CPT, 2009:12 -13) was needed. Moreover, the Church leaders believed that, the government failed to impose rational ethical principles to the public which manifested itself through corruption and, the Church felt justified to fill that gap.

Therefore, the failure of the state to deliver, the growing pressure over the services provided by the Church, the pressing need for resources to effectively deliver the services, the call for self-sufficiency and financial independence and increasing corruption triggered the current Church's concern on economic and political plight of the country as counter resistance force to neo-liberal order. However, the growing tendency of the Church taking the positions traditionally supposed to be held by political organizations poses a challenge to Tanzania's politics which has implication to future social welfare initiatives.

6.6 Characteristics of the Mode of the Institutional Reforms

Since the main concern of this study is the impact of the mode of institutional reform on the market economy, the characteristics of this mode merit a detailed discussion:

First, the mode was closed, secretive and erratic. Discussions on what should constitute the new institutional order were not subjected to public discussions and kept secret, not only from society but even from the Party and government officials themselves (Kiondo, 1992:22; Campbell and Stein, 1992:15).

Second, there was the separation of the Party and the government leadership and, later, of the government and society. According to Bryceson (1993:13), one central aim of Ujamaa was to minimize the distance between the bureaucrats and peasants to ensure not only social equality and socialist morality, but also accountability and responsiveness on the part of the bureaucrats to the needs of the society by putting them closer to the party scrutiny through the one-party machinery.

The genesis of the checks and balances between the party and the bureaucracy dates back to the era of party supremacy beginning in 1965 with the establishment of the one party state and then reinforced by the Arusha Declaration in 1967 and legalized by the amendment to the constitutional in 1975, before it was consolidated by the merger of TANU and Zanzibar's Afro-Shirazi Party (ASP) into Chama Cha Mapinduzi (CCM) as well as the adoption of the new constitution in 1977. The reason for advancing party supremacy was to mitigate the alienating effects of the inevitable spread of bureaucracy associated with development. Equating the party with the grassroots democracy and the government with a leadened bureaucracy, she argued, the leaders saw the party as the vital check on the bureaucratic performance (Bryceson, 1993:15). Thus, the separation eroded the institutional checks and balances between the government and the Party created during ujamaa.

The collapse of the checks and balances was accompanied by the breakdown of what Tripp (1997:12) called the "institutional resources" of survival (the formal, party-state controlled social and economic associations) through which the government provided socio-economic (public) services to maintain income, social welfare and security. As the formal institutions of protection collapsed and the reliance on the government diminished, people increasingly sought private and informal socio-economic survival strategies which, however, were susceptible to the adverse economic conditions and stringent policies, making it more difficult to engage in secure, productive economic activities (Tripp, 1997:58). The breakdown further triggered the reconstitution and reposition of the social groups in the emerging institutional order. While the State, and private bourgeoisie, and the emerging middle class elites, were reconstituted into an enclave section of society regarding the control of resources and political power, the poor, such as the peasants and urban workers, were pushed to the margins of the socio-economic and political landscape, becoming isolated and marginalized.

In all, the separation and disintegration of the party and government and the collapse of the checks and balances associated with it undermined the engagement in secure, productive economic activities; weakened the institutions of participation and negotiation capability of the poor groups; and eroded the umbilical cord between society and the government, thus providing a fertile environment for corruption and insecurity to flourish.

Third, the mode maintained dual ethical standards. While some leaders of the government and Party, who wanted to remain true to the spirit of Ujamaa, maintained Ujamaa ethical standards, the government (entrenched in both domestic and foreign private interests and capitalizing on the market oriented reforms) became inclined to push for capitalist ethical standards. One result of these tensions was the emergence of a tendency towards institutional and policy incoherence. For example, while there were considerable reforms in the direction of a free market economy, several policies still reflected Ujamaa ethical standards (Stein 1992:68; Kiondo, 1992:28).

Fourth, the mode was external in origin guided by the neo-liberal philosophical and ideological foundations that were premised on the existence of a competitive market and politics. In other words, the reforms did not grow organically, but had their source in the pressures brought to bear on the state by the IMF and donor countries taking advantage of severe economic crisis experienced in the country (Kiondo, 1992:35). This problem is also revealed by the following interview quotation:

But there is something which we need to acknowledge. I think the main problem of all these things, the market economic reforms or liberalization policy, is that...actually we as Tanzania did not have time to analyse, strategize and decide on what we wanted and how to undertake the reforms and what could be the effects. We just took everything given by the World Bank. Even the driving force, the themes or ideas of privatization, as we perceived it when we received it, was to transfer the parastatals from the state to the private sector. And when we said private sector, remember, we meant mainly foreign companies...because we were saying...you know...Tanzanians do not have capital! So, our privatization agenda basically meant to facilitate FDI...(laughs briefly)...I mean, foreign based investment...and we forgot everything about our own people! This is the problem when you don't own a policy agenda or a programme...you are forced to think and act on the basis of what the owners tell you. That is all. And we just did it! (Interview No. 11).

The mode, therefore, lacked a clear workable theory and philosophy of the process of institutional change in a Tanzanian context. As a result, it became difficult to sustain market economy-based development tasks and objectives in relation to the country's circumstances. It was also top-down, dominated by the elite and based on a narrow reform focus-a mere transplantation of new institutions and policies without reforms in the pre-existing social, economic and political relations. The development was conceived as the mere existence of market institutions, irrespective of the nature of their supportive environment and their effective contribution to the promotion of market economic practices. It seems that, the role of market institutions was not to promote development as such, but to assist the process of destatisation of the economy. Moreover, the mode paid little attention to historical realities of the country, a situation which led to establishment of economic and political systems which had no input from the society and therefore, less legitimate.

Fifth, the mode was associated with the development of what can be called "an enclave policy making system"-a skewed system of policy-making, in which the authoritative resource allocation power is concentrated in a small but dominant section of society. What this means is that, policy articulation and generation are confined to small social locales, which claim to have prime knowledge about the problems and solutions needed by the rest of society and therefore limit the alternative policy input from the majority. This makes the concerns of people outside the enclave secondary. In Tanzania, an enclave policy-making system has been featured by depoliticization of the policy process through the transfer of the role of policy-making from the Party and government to a group in private research and policy analysis institutions.

Sixth, continuous alienation of previously excluded groups in formal economic engagements and increasing dependence on the informal economy is another feature of the mode. As discussed in chapter five, the transition to market economy was accompanied by exclusion of people from the formal economy. Therefore, for many people, the mode of reform was nothing but a forced de-participation and consequent retreat from the formal economy. Acting as a survival net, the informal economy increased its legitimacy, leading

to the growing dependence of the masses on it and thus its unlimited expansion. The over-expansion of informal economy tilted the institutional imbalance between itself and the formal one, making the latter ineffective in saving the poor (see Chapter 7).

Seven, the mode was characterised by anti-market tendencies. Any transition from one system to another suffers from inheritance of negative aspects of the old system, which may hinder the development, operations, and sustainability of the new system. The construction of a market economy has not avoided this problem. There were some anti-market tendencies of the statist economy of the Ujamaa regime, which became part of the emerging market economy. The most notable one is the persistence of excessive administrative regulation of the economy. The whole process of reform was based on administrative decrees, and decisions were taken with regard to the economy without recourse to its legal foundations. This problem coexisted with weak legal foundation of the market.

Last and interestingly, while for the first time in Tanzania's history, institutions of capitalism and market economy were adopted and forced to function in the way they functioned in Western societies, the reform processes failed to address historical legacies of distortions of these institutions imposed during colonialism and Ujamaa period.

6.7 Conclusion

This chapter focused on the mode of institutional reform from Ujamaa to Ubejari with emphasis on the dynamics of reconstruction of the new institutional order and re-constitution of social groups. It also reviewed some tensions which characterised the reform process. The chapter reveals that, reforms were imposed on society with discussions on what should constitute the new system and possible consequences of its functioning kept unknown to the majority of Tanzanians. The secrecy of reforms was accompanied by the continuation of unresolved tensions which became the central feature of the emerging neo-liberal order. These include: the tension between the "basic poverty" and "enforced poverty" conceptual premises; continuation of ethical duality-the existence of vague ethical postures containing capitalist individualistic ideals and goals along with the ideals of Ujamaa egalitarianism which became sources of institutional and policy incoherencies; alienation of previously excluded groups in formal economic engagements and increasing dependence on the informal economy; existence of pro-capitalist market economy and Ujamaa's anti-market and capitalist tendencies; continuation of excessive administrative regulations and weak legal institutions and; introduction of institutions of capitalism and market economy without resolving the legacies of their distortions.

The chapter has also revealed the separation between the party and government, a process which abolished the Party-centered accountability system established during Ujamaa, thereby creating fertile environment for corruption. Finally, the chapter provides evidence of the importance of internal factors in reform processes which confirms the argument of historical institutionalism that, in most cases, political actors respond to external pressure for reform by maneuvering and exploiting opportunities within the existing institutional order without necessarily creating new institutions.

Chapter 7

The Character of Neo-Liberal Institutional Order

7.1 The SAP and MKUKUTA: Getting Institutions Right and Rediscovering Poverty

The period after 1995 marked the beginning of “second-generation” reforms which ended in 2005. It was a period characterised by fast-tracking and deepening market oriented reforms spearheaded by the third phase government, under President Benjamin William Mkapa. The reforms targeted the pillars of public sector management in creating an enabling environment for free market and private operations. They included privatization of parastatals, reforming the civil service, local government, legal and financial sectors and land tenure system⁴⁷. These were considered strategically important measures for achieving high economic growth and quality public service delivery (URT, 1999:8; 2004:3).

According to the government, the aim was to promote a market economy and re-organize the government by changing its practice of directly involving itself in the management of the economy to that of regulating the economy, supervising the market, managing the social affairs and providing public services. The goal was to create an administrative system featuring standard legalised behaviour, coordinated operations, fairness, transparency, honesty and high efficiency. The vision was that the public services would be transformed into an institution of excellence that would play a pivotal role in achieving sustainable national economic growth and prosperity and in the alleviation of poverty (URT, 2003:7). In general, the reforms were supposed to bring about five main changes: a shift from a government dominated economy to one dominated by market forces; a shift from an economy first target to the harmonious development of society and the economy by properly addressing issues, such as unemployment, the distribution of income, social credit, and market order, to provide a conducive environment for economic development; a shift from a discretionary administration to a service oriented one by improving legislation, putting the government’s work under the control of the law through proper regulation of the property, credit and contract relations in a market economy. It also aimed at establishing and improving socio-economic security within the framework of effective public services delivery; and a shift from an administrative control system to a law-ruling system. The idea was that government must carry out its official duties in accordance with the law as a way of ensuring fair market competition and proper behaviour of the various players in the society and; to establish a sound public administration and good governance to foster sustainable development.

While the second generation reforms were on track, there emerged a consensus that the adjustment and stabilization measures of the first generation had resulted in erosion of the previous gains in social development (Wangwe and Prosper, 2005: 5-6). The government started to address poverty as the central feature of major policy actions. One early initiative

⁴⁷ Specifically, the reforms included: reduction of the scope of functions, size (number of departments and employees) and overlapping law enforcement. It also introduced executive agencies, decentralization of government functions, transfer of ownership of parastatals and commercialization of land.

was adoption of homegrown National Poverty Eradication Strategy (NPES) in 1997 which, was abandoned prematurely and its role subsequently overtaken by the PRSP process⁴⁸

Following the debates and controversies in the field of international development in the late 1990s with regard to the mandates of the Bretton Woods Institutions in the light of the deteriorating economic growth in developing countries, particularly in sub-Saharan Africa; the dissatisfaction and outcry of the international community and governments in developing countries on the plight of the poorest in the countries subjected to the Structural Adjustment Programmes were high. It was estimated that, by 1998, a quarter of the population of the developing world, i.e. 1.2 billion people, was living below the poverty line- below US\$1 per day in 1993 in purchasing power parity terms. Excluding China, the number had risen from 880 million in 1987 to 986 million in 1998. The corresponding figures for sub-Saharan Africa were 217 million and 291 million respectively, averaging at around 46% of the total population over the period⁴⁹. Furthermore, there was a declining legitimacy of the World Bank and IMF with regard to their role in development and concerns about debt relief, which made the adoption of the new approach to aid and development assistance to less developed countries inevitable (UNCTAD, 2002:1; Christiansen and Hovland, 2003:vii & 2-3). This culminated in the adoption, by the Bretton Woods Institutions, of the Poverty Reduction Strategy Paper (PRSP) as, to use Christiansen and Hovland's (2003:2) phraseology, "*a new piece of aid technology*" or, as Spanger and Wolff (2003:i) called it, "*a new development assistance strategy*", in 1999. Linking the question of debt relief, aid modalities and poverty reduction in developing countries, PRSP became a policy criterion for accessing debt relief under HIPC, bilateral grants and the low income country concessional lending streams of the IFIs (UNCTAD, 2002:2; Christiansen and Hovland, 2003:3-4).

Towards the end of the 1990s, poverty reduction became the prime objective of the programmes and operations of the IFIs in the least developed countries. Notwithstanding its emphasis on poverty eradication, participation and ownership, the policy contents of the PRSPs did not imply any fundamental departure from the mode of policy making and the kind of policy advice espoused under the "*Washington Consensus*". The policy initiatives continued to contain all the main elements of the first generation of economic reforms, designed to "*getting prices right*".⁵⁰ According to UNCTAD (2002:4, 6) the only components added were three. First, the consideration that economic growth was essential for poverty reduction and the recognition that growth may not trickle down to the poor. This led to emphasis being placed on policies that facilitate the access of the poor to human, physical and financial assets as a way of improving their earning capacity. In this respect, particular attention was paid to public provision of education and health services. Second, while macroeconomic stability and structural reforms continue to be considered as holding the key to sustained and rapid growth, it was recognized that stabilization and structural adjustment policies may have a temporary adverse impact on the poor. Thus, it was advocated that such policies should be accompanied by *safety nets* and targeted spending programmes to mitigate their possible adverse consequences for poverty. Third, there was a great emphasis on the importance of "*getting institutions right*" or simply

⁴⁸ Tanzania started to address poverty as a major policy concern in the mid 1990s. One of the early initiatives to address poverty was the adoption of the NPES in 1997. Based on Tanzania's experience, it defined poverty as "a state of deprivation prohibitive of human life" and aimed at eradicating poverty by 2025. But it was replaced by the PRSP in 1999, two years after it was adopted, to meet the HIPC conditions imposed by the IFIs.

⁴⁹ For a detailed account, see UNCTAD (2002) and Christiansen & Hovland (2003)

⁵⁰ Based on key elements of the conventional stabilization and structural adjustment policies emphasizing the primacy of the market mechanism and poverty reduction through the liberalization and rapid and close integration into the global capitalist economy as the key to fast, sustained growth.

engaging in “good governance”. Hence, the importance of institutional reforms and the need for certain mechanisms to ensure rapid economic growth that benefits the poor. So, reforms were expected, under the *new aid technology*, to play a central role in the eradication of poverty.

These international developments coincided with concerns of poverty unfolding in the country. The Poverty Reduction Strategy Paper was hastily prepared in 2000, through a technocratically guided and compressed top-down consultative process that involved a predetermined enclave of stakeholders⁵¹ with the aim of meeting the HIPIC debt relief conditions. The government viewed the PRS as both, an instrument for channeling national efforts towards broadly agreed development objectives and, an integral part of the ongoing macroeconomic and structural reforms (URT, 2002:1).

The PRS(P) replaced the home-grown NPES and was linked to HIPC initiative, thus, remained questionable in terms of ownership and participation in the policy-making process. Its focus on a few “priority sectors” of education, health, water, agriculture, rural roads, the judiciary and land, according to the government, could not have a greater impact on poverty reduction. Therefore, a more participatory strategy was required. The first PRS were implemented from 2000/01-2003/4. Thereafter, the government carried out a review which resulted in the development of the second generation of poverty reduction strategy namely, the National Strategy for Growth and Reduction of Poverty (commonly known in Kiswahili as MKUKUTA). The strategy composed of three clusters: (a) growth and reduction of income poverty; (b) improvement of quality of life and social well-being and; (c) good governance and accountability (URT, 2005:1; 2008:1).

During that period, there was a strong argument that the fast-tracking privatization and other reforms had led to a radical policy shift from Ujamaa to neo-liberal market capitalism, without preparation for the majority. In essence, according to some analysts, that led to de-indigenization of the economy by shifting economic control from the government to the minority non-indigenous business community (composed mainly of Asians and Arabs).

According to Heilman and Lucas (1997:155), liberalization gave rise to a new group of business leaders (many with close connections to the ruling party) and influenced social relations as the economic power shifted away from an African dominated state sector of the economy to an Asian dominated private sector. When the state felt the need to open up formal linkages with the business community, the Asian community which continued to do business during ujamaa and had accommodated itself within the confines set by the state

⁵¹ According to Alison and Ngalewa (2003), the preparation of the *iPRSP* was hurried and non-consultative and it was briefly written with the help of the Bank Staff, based largely on the policy framework set outside the existing policy framework paper (*PFP*). The lack of any real discussion around the interim document meant, however, that few national stakeholders were prepared when the full PRSP process began. From initiation to cabinet approval, the full *PRSP* process took only six months, the preparatory process was managed by the PRSP Technical committee, and the data collection, analysis, consultations and drafting processes were managed by a series of technical working groups. The two Dar based research institutes - *REPOA* and *ESRF* - were responsible for coordinating the drafting of several Chapters. Representatives from the World Bank and the *IMF* participated in working group meetings. The consultative process was short-lived, focusing on seven simultaneous zonal workshops on two consecutive days and a national workshop to discuss the draft. The participants were pre-determined and invited mainly from the central and local government. Private sector groups and selected government friendly NGOs were invited through formal invitation letters. This resulted in a insufficiently broadly based PRSP document, characterized by a lack of depth and breadth of understanding of its contents and targets, even among the government staff below the senior government staff who were directly involved in the PRSP process.

was best positioned to take advantage of the economic liberalization which brought new prosperity for them.

Thus, by putting more resources into the hands of the private sector, the creation of the dependence of the state on local business, the incorporation of business associations into the policy process, and the formalization of the relationship between the business community and the state (ibid., 162 & 166), economic liberalization opened up new opportunities for Asians' political involvement. With the control of the economy and business, they were able to take advantage of the new system and expand their influence over the economic liberalization. This situation triggered African resentment of Asian traders (Heilman and Lucas, 1997; Heilman, 1998:158).

It was argued, therefore, that the government should adopt a policy aimed at empowering the historically disadvantaged citizens (Simba, 2003:100) through the institutionalization of a process of integrating the indigenous community into the modern (market) economy. It was this debate which forced the government (since the early 2000s) to adopt an ambivalent indigenization agenda through a National Economic Empowerment Policy and various empowerment strategies within the framework of MKUKUTA.

The "rediscovery of poverty" (Spanger and Wolff, 2003:3) was linked with the reform processes as a new focus and direction of both, the international development initiatives aiming at "helping people to help themselves" (ibid., p.14) and domestic socio-economic empowerment and poverty eradication efforts. This is where the issue of examining the nature of the institutional order, intended to assist the empowerment of the poor and alleviate poverty, becomes imperative. What is the nature and functioning character of the new market oriented institutional order bestowed with the role of empowering the poor and alleviating poverty in the country?

7.2 The Ambivalence of the Neo-liberal Institutional Order (NLIO)

7.2.1 Institutional Syncretism and Ethical Duality

It can be argued that, syncretism and ethical duality occupy a central position as the organizing principles of the neo-liberal order. A syncretistic order is an institutional archetype which is a synthesis and reconciliation of the opposing forces of traditional and informal institutions with modern and formal institutions. The result is a form of an order which is neither traditional (informal) nor modern (formal-legal) but an incorporation of both. In this situation, a reform is one of accommodation and compromise and a reconciliation of the demands from the contending institutions.

Ujamaa was a typical example of what can be called "neo-traditional syncretistic" order, in which traditional values, principles and ethical standards were brought forward in slightly altered form and applied to modern conditions as revived values. This revivalism was not necessarily a resurgence of interest in the past, but a revival of past moral prescriptions for application to modern behaviour. After the *de facto* demise of Ujamaa in the mid 1980s, Tanzania faced a situation in which institutions changed abruptly in favour of capitalist principles without significantly altering the Ujamaa principles, particularly their informal existence and functioning. The result was creation of a system made up of unstable synthesis of *ethical standards of ujamaa* and capitalism.

Table 7.1: Reflections on the Unstable Synthesis of Ethical Duality during Ujamaa

No.	Ujamaa (Statist-Socialism)	Neo-Liberal (Market Capitalism)
1.	All citizen together possess all natural resources	All human beings are equal
2.	Economic justice is ensured only by the state's effective control of the principle means of production	Every individual has the right to dignity and respect
3.	The state is responsible for intervening actively in the economic life of the nation to prevent exploitation and excessive private wealth accumulation	Every citizen has the right to the freedom of expression, movement and worship within the context of the law
4.	Support for collective/communal production and ownership of goods and services	The right to protection of life and property held according to law
5.	Support for the existence of one party democracy	
6.	It is foolish to depend on money as the major instrument of development when the country is poor	
7.	Money is not the basis of development	

Source: TANU (1967) The Arusha Declaration and TANU's Policy on Socialism and Self-Reliance; CCM, Dar es Salaam

A key characteristic of syncretistic order is constant shifts in the balance of institutions between the two competing systems. In our case, this is the imbalance between modern (formal-legal) and traditional (informal) systems. The archetype is one in which the values, principles and ethical standards for social actions come from two competing systems-a fluid situation which allows a great deal of personal jousting and bargaining on the part of the social actors. The individual actor(s) can respond to a social problem based on modern (formal-legal) values and ethical standards in a given circumstance and, at the same time, respond to the same problem using traditional (informal) values and ethical standards depending on the changing circumstances. One example of this is how the issue of land ownership was legally addressed (Table 7.2).

Table 7.2: Examples of Institutional Syncretism on Legal Response to Land Accessibility and Poverty alleviation

Issue	Syncretistic Response
Ownership of Land	The laws provide that foreigners cannot own land in Tanzania. Insofar as rural people are concerned, according to section 32 of the Village Land Act, a foreigner may obtain a derivative right from a village council. He may also have a right of occupancy or a customary right of occupancy from the market place. Thus, the harsh reality is that the laws do not protect the rural poor since they can actually be forced by circumstances to relinquish their means of livelihood
	The Tanzania investment Act, which guides investment activities, aims at providing statutory guarantees to foreign and local investors that would encourage them to invest in the country. The Act (supported by the Land Acts) provides that a foreigner can only own land if it is for investment purposes through the Tanzania Investment Centre (TIC). The land intended for investment is identified and allocated to the TIC, which is given the right of occupancy. Then it, in turn, grants investors derivative rights-a long term lease equivalent to ownership!
Customary Right of Occupancy	The Land Acts recognize that a customary right of occupancy can be registered and a title deed issued. It is however questionable to what extent the Laws recognize the rights of nomadic and pastoral tribes who traditionally believe that all land is theirs. In most cases, this category of people has been denied the right to use land because of the nature of their activities.

Source: Ajakaiye et al (2006: 26 &28); Land Acts No. 4 and 5; PCILM 1994.

In terms of leadership, an individual leader can respond to the poor (or actors in the informal sector) in one way for a given social problem and address the rich (or those in the formal-legal sector) regarding the same problem in another manner. This phenomenon promotes what Miller called “*speaking to two worlds in different tongues*” - a duality of response to social problems based on dual ethical standards, which creates uncertainty, confusion and less common understanding of the problems and ways forward. So, for the poor, the situation is often in flux. The new guidelines, principles and practices for poverty alleviation are mixed and not fully understood. The leader himself is unpredictable; s/he will often vacillate between extremes of traditional (informal) and modern (legal-formal) values and ethical standards. Table 7.3 depicts some of these tendencies.

Table 7.3: Some Reflections on the Syncretistic Leadership View and Response to Poverty Alleviation

No.	Issue	Leadership View/Response	Source
1.	On Ideological Stance & Party System	The United Republic is a democratic and Socialist State which adheres to Multiparty Democracy.	URT (1998) The Constitution of the United Republic of Tanzania of 1977: Article(3)
		The Objective of this constitution is to facilitate the building of the...Nation of equal and free individuals enjoying the freedom ... through the pursuit of the policy of Ujamaa and Self-reliance... [with] the application of socialist principles while taking into account the conditions prevailing in the [country].	URT (1998) The Constitution of the United Republic of Tanzania of 1977: Article(9) The CCM Party Manifesto 2005, page 58
2.	On the Creation of an Inclusive Economy	The economic reforms we have embarked upon are increasing wealth gap, and this could potentially lead to social stress and instability. The solution, of course, is not to take away from those who have, but to help those who are left out to get in by creating space for those excluded and encouraging those who do not yet benefit from the reforms to take advantage of the government initiatives taken to empower them.	(URT 2005) Speech By The President on Inaugurating the Fourth Phase Parliament of the United Republic of Tanzania
4.	On the role of the Private Sector on Agriculture	The objective of the ASDS is to achieve sustained agricultural growth through the transformation from subsistence to commercial agriculture. The transformation is to be private sector led...	URT (2001:11) Agricultural Sector Development Programme (ASDP)
		[T]he private sector lacks the capacity to play a more pro-active role in crop development...	The Minister for Agriculture and Livestock Development (see Cooksey 2003:78 and Footnote No. 42)

From the institutionalist perspective, such syncretistic order cause difficulty and delays in decisions and sometimes, create conditions for corruption. Each development initiative usually needs an institutional re-balancing that must be reconciled with both traditional and modern ethical standards and values. There are no precedents or procedures that can be easily repeated, in the struggle for maintaining the synthesis. Actually, every initiative is adopted as “new” and there is little recourse to past failures or successes.

7.2.2 Legal and Administrative Institutional Discrepancy

Another feature of the NLIO is its imbalance between legal and administrative institutions. As discussed in chapter 4, the genealogy of the legal and administrative foundations of modern Tanzania goes back to the days of colonialism. We have learnt that the evolution

of the state, from *Companocracy*⁵² to *Bureaucracy*, suggests that, legal institutions were not created or adopted as instruments at the disposal of the Africans in their search for freedom and rights against the colonial state nor to promote resource accessibility, and the protection of their well-being. They were adopted as state instruments for control of the natives and their resources and as a means of exploitation, rather than people's mechanism for freedom, protection and prosperity. The status of legal institutions was that of "administrative mechanism for rulership". Laws were considered as the means for legitimating and enforcing administrative actions for the preservation of the interests of the rulers, rather than regulating or controlling them, in protecting interests of the native citizens against debilitating administrative actions as it is assumed in Western legal theories and practices. As a result of this, legal institutions became "secondary in status" and "inferior" to administrative institutions. Moreover, due to its oppressive and discriminatory character, legal institutions rendered themselves "useless" and therefore "illegitimate" to the majority of native Tanzanians.

The elevation of bureaucratic regulations above legal institutions on development matters institutionalized the domination of bureaucracy and exposed legal institutions to bureaucratic manipulation and inferiority. Due to its inherent nature of multiplicity and volatility, the overriding influence of bureaucratic institutions have inflicted the Tanzania's economic management system with uncertainty and weakened the legal foundations of the market economy. The current bureaucratization and institutional discrepancy of poverty alleviation are actually a reflection of that historical legacy. Since major anti-poverty initiatives are based on market economy and on the assumptions of effective legal institutions, these administrative tendencies remain the main challenge to reformers and policy makers.

(a) The Legal vs. Administrative Order: the case of Land Resource Management

We have learnt in chapter 4 that, the legal and administrative machinery governing land tenure in Tanzania has its genesis in the colonial period. The land management system established by both the German and British colonial authorities assumed that the indigenous occupants had no ownership rights over land, so the colonial authorities established a property regime in which the ownership and control of land was placed in the hands of the colonial state. The legal system developed by the British under the *Land Ordinance of 1923*, was based in essence on giving the state a free hand over land resources which was a necessary condition for the exploitative colonial economy. The legal institutions, therefore, were adopted to legitimize the state's monopoly over land resources as well as the control and alienation of indigenous lands, unencumbered by any legal obligations.

The Land Ordinance (Amendment) Ordinance of 1928 defined and recognized customary land rights (under the deemed rights of occupancy) without the legal protection, and declared all lands to be "public lands", the occupation and use of which depended on the Governor's consent. Despite the ambivalence over whether that legal provision safeguarded the customary rights of indigenous people, the Ordinance created statutory land rights for non-native occupants. The result of this legal discrepancy was the creation

⁵² Companocracy is hereby defined as the rule by the Company's men, based mainly on trade and economic principles in the early days of colonial establishment. Bureaucracy refers to the rule by Bureaucrats through administrative principles, adopted later on, after full colonial rule was established (see Chapter 4).

of dual land rights (customary and statutory rights) subject to different legal system with consequent differential rights over land resources and the relationship between the occupants and the state - the ultimate owner of the land. Thus, while statutory rights enjoyed legal protection, customary rights fell squarely within the domain of administrative regulations and actions rather than being regulated by law. While the relation between the state and the statutory rightholder was contractual and regulated by law, the relation between the state and customary rightholders was only declaratory. The Ordinance did not define the rights of the customary land holders as against the state, nor were these rights entrenched in law in any form. The lands occupied by indigenous people remained public lands under the control of and subject to the disposition of the state. Thus, the customary rights, although recognized by law, were not protected by it and remained within the domain of administrative policy and actions (Shivji, 1998:3-4).

This discrepancy was not without consequences. First, control of land resources was legally transferred from the native population and vested in the administrative authority of the colonial state where it remained until 1961, when it was transferred into a new independent state⁵³. Second, in terms of legal and administrative practices, land resource management was regulated by the dual conceptions of justice and ethical standards: one rooted in the material conditions of the traditional (customary) social practices of Tanzanian society, the other based on common and statutory practices of Western (European) traditions (Table 7.4).

Table7.4: Divergent Views on Rights and Justice in the Context of the Land Tenure Reform in Tanzania

The Colonial Heritage “Dual Land Tenure and Ethical/Justice) System”		
	Formal Institutional Order/Statutory Land Tenure System	Informal Institutional Order/Traditional (Customary) Land Tenure System
1. The origin	Embedded in Western-English traditions & Statist law - Land Ordinance, 1923	Embedded in African traditions & customs
2. Principles	All land in the country is the public land at the disposal of the Governor	The land is the gift of nature
	No occupation of land is valid without the consent of the Governor (the ownership of radical title vested in the state)	The principle that Society guarantees each person the right to the land needed to obtain subsistence
	The right of occupancy is contractual - the relationship between the state as the grantor and occupier as the grantee of the right of occupancy is contractual. This is what determined the rights of the parties to Land accessibility and use	That the occupation and improvement of land bestows rights. This is what determined the rights of the parties to Land accessibility and use
	The relationship of the Statutory occupier with the state is contractual	The relationship of customary owners among themselves and the authority is customary
3.The Objective	To serve the Economic and Political interests of the State	That collective property rights or resource accessibility ensures collective socio-economic survival and security

Source: Giblin, 1998:38; Shivji, 1998: 61-63)

The result was a creation of a dual system of land tenure and justice organized hierarchically in which the customary systems of tenure and justice were considered inferior to statutory forms of land tenure and justice. The reforms and development

⁵³ According to the PCILM, the post-independence government inherited the conceptual and the major part of the legal framework of the colonial land ordinance virtually unaltered, and this continues to be the case to this day (URT, 1994:17)

initiatives from the age of fading colonialism (the 1950s) to the early period of post-colonial modernization (up to 1966) were based on the assumption of the superiority of western systems of land tenure and justice. These problems continued throughout Ujamaa and later, inherited in the neo-liberal order from the 1980s, as the following interview quote illustrates:

Perhaps let me say this...the issue of land and, most importantly, its ownership is something which has resulted in a continuous conflict between the government and people in many parts of the country. And the main reason is the difference in perspective and the criteria used as evidence for the ownership of the land. A good example is one case here in Kilimanjaro; during ujamaa, people were allowed to continue with the customary procedures of the use and ownership of land mainly through inheritance. They used things like burying their deceased relatives...father, mother or any important member of their family, on the borders of their farms as evidence of ownership. So, for a very long time, the society had recognized tombs as accepted evidence of ownership. Now, the government comes in and says...look here...what we need is a piece of paper which shows that you are the owner of this land and not a tomb! You see? You can understand now the differences. As officials, we are living in very hard times. These new laws seem to contradict the customary procedures and this is one source of conflict... (Interview No.12)

(b) The Restoration of Traditions and Consolidation of Administrative Institutions

The Ujamaa period was characterized by institutional rebalancing and rejuvenation of the traditional value system, which led to the expansion and consolidation of administrative institutions at the expense of legal institutions. As discussed in Chapter 4 and 5, Ujamaa combined in itself the notions of human equality and social justice associated with both *Western liberal* and *African family-hood* social life. However, the leadership (under Nyerere) believed that, though they sounded the same, the principles of human equality and social justice embedded in African traditions and customs were of greater human value than those of the western individualist liberal traditions imposed on Africa. The most cynical aspect of it was the belief that those value systems were protected by an alien legal system, which was nothing but “a pastime of layers” practised in “legal football grounds”- the courts where (in practice) freedom, equality and property meant “inequality for the propertyless and freedom of the property-owners” (Shivji, 1998:66).

The discretionary character of traditional institutions came to be associated with that of the modern administrative system inherited from colonialism. So, enforcement of many policies and development strategies became more dependent on administrative regulations and decrees than law. As a result, the concerns of social justice were not embedded in law, but translated into action by state or party or both, often contrary to law (Shivji, 1998:65). The tension between the concerns of social justice embedded in African traditions and the fears that the laws could frustrate those concerns (by co-opting and transforming them into individualist procedural rights in the form of natural justice), became one of the justifications for administrative interference in the legal system. Other justifications included: the need for protection of the country’s resources; the quest for unrestricted state resource accessibility and control of public interest; and socio-economic security for development purposes.

It is interesting, however, that, despite the apparent disapproval of western legal institutions, Ujamaa incorporated both the statutory and customary land tenure systems and their differential systems rights. The statutory rights of occupancy were confined to the

government agencies and few private operators in *the protected capitalist* market economy in urban and some cash crop producing areas, protected by the statutory legal regime. The customary rights of occupancy were left to the majority rural and peri-urban poor inhabitants who were without legal protection and subject to administrative regulations. Since the private ownership of the means of production was prohibited and the rights to land resources only vested in the president (head of the administrative system) entrusted with control of the means of production and engaged in the direct production and accumulation of wealth, national resource management became a matter of administrative practice. The dominant assumption was that land resource management and customary land rights could be handled through administrative regulations and discretions (URT, 1994:20) with little recourse to legal requirements. The dominance of bureaucratic regulations in resource management and organization of production did not change with institutional reforms to market economy in 1980s and became part of the new system.

7.2.3 The Legal and Administrative Status of the Neo-liberal Market Economy

For the past 25 years or so, the government has been engaged in devising comprehensive reforms that focus on the restructuring of the state and economy and the establishment of a property right regime for the protection of individual property rights, as a way of promoting effective functioning of the market economy. Despite all these reforms, the quality of institutions with respect to a legal and administrative regulatory balance was never attained. In other words, the legacy of weak legal foundation of the market economy and invasive tendencies of administrative institutions remain the main challenge to the reformers (Ajakaiye et al., 2006:28-29).

But what is more exigent is the stereotypical view created by leaders during Ujamaa, which defined modern legal institutions as alien, individualistic western traditions imposed on Africa societies. They were considered to be of low human value (with regard to principles of resource distribution, human equality and social justice) compared with African institutions. This mobilization of bias inculcated in the minds of the majority of Tanzanians, particularly rural and peri-urban inhabitants, a distrustful attitude towards legal institutions, the same institutions currently upheld by the same government and the party as the key to effective participation in the market economy and to poverty alleviation. For example, while on the one hand, there were statist structures and practices abusing their powers against the large majority of rural and peri-urban landholders, on the other, the alternatives offered by the liberal western law and human rights-in its construct of individual rights and procedural notions of equality, freedom and private property ownership- never appealed to the demands and interests of these groups (Shivji, 1998:67).

The tensions and imbalances between the legal and administrative institutions reveal themselves in the questions of land dispute settling; excessive formal market regulations; private property rights and the legal empowerment of the poor; all of which form the core of anti-poverty reform programmes.

(a) Land Dispute Settling System

According to the PCILM, the principal machinery for settling land disputes is the judicial system, with the primary court as its focal point (URT, 1994:10). The primary court⁵⁴ has

⁵⁴ The primary courts are the lowest courts in the hierarchy of judicial system in Tanzania established under the Magistrates Courts Act of 1984. They deal with criminal cases and civil cases it is a level where the Magistrates sit with lay assessors.

the original jurisdiction over land governed by customary or Islamic law provided that the matter concerns title or interest in land is not registered under the Land Registration Ordinance, and it has concurrent jurisdiction in land matters other than granted rights of occupancy. This means that, most disputes relating to rural land which is not held under granted rights of occupancy must commence in the primary courts which may also hear cases involving the short term (i.e. held for up to five years) rights of occupancy, although these can be commenced in district courts. Appeals from primary courts go before district courts and thence to the High Court and eventually the Court of Appeal (URT, 1994:101).

However, the findings show that the administrative system has been central to land resource allocation and dispute settling to the extent of undermining the legal system. The tendency of the administrative arm of government to become heavily involved in the administration and allocation of land resulted into a mass of complaints involving land alienation being charged against the administrative authorities and officials (Table 7.5)

Table 7.5: Spread of Authorities Complained against (in %) by 1994

No.	Region	Civil Society	State Authority	Village authority Others	Other
1.	Arusha	25	48	25	2
2.	Dar es salaam	29	59	6	6
3.	Iringa	18	60	21	1
4.	Kagera	37	45	10	8
5.	Kigoma	29	49	21	1
6.	Kilimanjaro	37	37	20	6
7.	Lindi	48	52	-	-
8.	Mara	14	73	11	2
9.	Morogoro	30	62	5	3
10.	Mtwara	23	64	13	-
11.	Shinyanga	26	44	18	12
12.	Tabora	27	64	7	2
	Total	30	52	14	4

Source: URT-PCILM (1994) Report -Volume I (page 103, Sections 10).

As for the dispute settlement machinery, the findings shows that, the organs of the executive, from village level to the Ministry, were heavily involved in attempts to settle disputes. A comparative overview of the extent of the involvement of different organs in the process of resolving land disputes (Table 7.6) shows that the incidences of involvement of the judiciary ranged from between 30 to 40 %, while that of the executive organs, including the Party, ranged from 60 to 70%.

Table 7.6: Extent of Involvement of Different Organs in the Resolution of Land Disputes (in %) by 1994

No.	Region	Village Authority	CCM-Organs	Executive Organs	Judiciary	Administrative Tribunals	Other
1.	Arusha	16	5	42	34	3	-
2.	Dar es salaam	4	6	62	20	6	1
3.	Iringa	12	17	46	25	-	-
4.	Kagera	9	14	40	34	1	2
5.	Kigoma	4	8	48	32	8	-
6.	Kilimanjaro	5	13	41	31	8	2

7.	Lindi	-	9	82	9	-	-
8.	Mara	12	5	48	34	1	-
9.	Mtwara	-	8	67	25	-	-
10.	Morogoro	-	9	62	20	6	1
11.	Shinyanga	16	24	33	27	-	-
12.	Tabora	7	10	65	16	-	2
	Total	8	9	52	27	3	1

Source: URT-PCILM (1994) Report-Volume I (page 104, Sections 13).

The above figures show that, once again, it is the executive arm that is heavily involved in the process of dispute resolution. The involvement of the judiciary, the primary organ for resolving disputes, is less extensive than would have been expected. According to the PCLM, this could have been partly due to the relative inaccessibility of the judiciary to the large number of people but, it insisted, it was also due to the dominant tendencies of the executive arm to arrogate extensive powers to itself. The spread over all kinds of organ to which aggrieved persons resort to resolve their disputes, it argued, was also a marked feature of institutional incoherence and confusion, adding that: “it was an indication that there is no certain, known, accessible and generally satisfactory machinery for resolving [resources accessibility] disputes. Overlapping jurisdictions and powers-whether or not legally sanctioned-were one of the major causes of confusion and delays in the resolutions of land disputes” (URT, 1994:104).

Similar observations of the superiority and invasive character of the administration were presented by Deborah F. Bryceson to the Commission in a form of a memorandum entitled “Tanzania land Tenure at the Crossroad”, in which she argued that, for several years the state, especially its local agents, have had enormous discretionary powers over land issues with virtually no counterbalancing checks, leaving rural producers with virtually no powers of address in disputes (Quoted in URT, 1994:115)

(b) Excessive Administrative Regulations of the Market Economy

Writing on marketing reforms and agricultural liberalization in Tanzania in the early 2000s, Cooksey presented similar trends in the excessive and invasive nature of administrative institutions, indicating that little had changed in terms of the status of the legal and administrative institutional balance.

In his review of the laws governing cash crop production and marketing in the country which were reviewed by the government in 2001 and which established the new marketing boards for Coffee, Tobacco and Sugar, Cooksey observed that, apart from being bestowed with the powers of registering and licensing growers, buyers and exporters for the three sectors, the boards’ actions were subjected to overriding discretionary powers of the respective sectoral Minister. And, in case the Board failed to perform any of its functions without reasonable cause, or to give effect to any of the Minister’s directions, the Minister could exercise disciplinary powers as s/he deemed fit against it and, on the failure of the Board to give effect to any of his directions, he could order any other person or institution to give effect to his directions. Furthermore, the Acts made it illegal for a farmer or group of farmers to grow coffee, tobacco or sugar without obtaining permission of the boards, and severe penalties for contravening these conditions were imposed.⁵⁵ Thus, rather than

⁵⁵ Penalties for contravening these conditions range from Shs 100,000 (\$107) for coffee to Shs 1 million (\$1,060) for tobacco and Shs 10 million (\$10,695) for sugar, and/or prison sentences of up to two years in all cases. For tobacco: ‘Any seeds or plants imported, bred or multiplied without the authority of the Director shall be destroyed by the Board at the expense of the offender’ (Cooksey 2003:77).

facilitating private initiative, the state sets out with a disposition to control almost all aspects of crop development, with the criminalisation of unauthorised activities as the ultimate sanction (Cooksey, 2003:78; see also Chapter 8).

According to him, it was unsurprising that the first attempt radically to reduce the role of the state in agriculture could lead to such a strong reaction from a large section of political-bureaucratic class and its clients in co-operatives and crop boards. For him, being accustomed to the exercise of discretionary powers in all aspects of agricultural production, the political-bureaucratic class at national and local levels had little experience of or sympathy with the logic of market economics (Cooksey, 2003:86). Moreover, the re-empowerment of state agencies on agricultural production does not protect the poor against the depredations of corporate capitalism; on the contrary, it threatens to dis-empower and impoverish them even further (Cooksey, 2003:69).

(c) The Dilemma of the Legal Empowerment of the Poor

According to the government, the fight against poverty through legal empowerment of the poor is imperative if it is to be successful and sustainable. The main argument being that, clearly defined and accessible property rights⁵⁶ create a better environment for investment which eventually, facilitates access to credit and bank loans (CLEP, 2006:21). But the challenge is how best to create a legal empowerment scheme that reflects the historical legacies of the legal system and the popular negative attitudes against its functioning. The experiences of the reforms, however, show that the realization of that goal is an uphill struggle, for the socio-economic realities and institutional experience are pulling the pendulum in the opposite direction.

For instance; although, during Ujamaa, private property existed for the small business class (mostly Asian), their rights to private ownership, statutory status notwithstanding, were mainly guaranteed by administrative regulations. This was done purposely to avoid legal recourse in the case of the state confiscation of private property for the “public interest”. As far as “resource accessibility and ownership from below”⁵⁷ was concerned, statutory (legal) regime was “artificially” made inferior to customary regime, but when it came to “resource accessibility and ownership from above”,⁵⁸ the opposite existed. The two systems were mediated by the administrative system and bureaucrats who were at liberty to choose upon which system to rely, when, in what circumstances, and for which interests.

This tendency had two effects. First, it denied the majority of Tanzanians the orientation to the application of statutory (legal) institutions in relation to resource ownership and socio-economic security. Second, while denying the majority sustainable accessibility and orientation to legal institutions, it provided that same right and opportunity to the few (the Asian business class, top bureaucrats and politicians) who were exposed to it and who interacted regularly with private business dealers in both domestic and international

⁵⁶ “Social scientists define property rights as a bundle of rights, entailing the control and use of property; benefit from the property; freedom of transfer or sales of property; and excluding others from the property. To make this bundle of rights relevant. They should be enforceable by law. This will minimize disputes that arise during possession, transfer and disposal of property. So in essence, the building of a modern market economy and society entails promulgation of appropriate laws, a properly functioning and credible judiciary, and effective enforcement mechanisms.” (CLEP 2006:21)

⁵⁷ Resource accessibility and ownership from below represent a situation when the government wants the people to have access to land for state accumulation or for any other socio-economic engagement which seem to combine both government and public interest. Here the government allows people to enjoy their customary rights to resources.

⁵⁸ Resource accessibility and ownership from above represent a situation when the interest is mainly for the state and it is perceived to be contrary to the wishes of the majority citizens and customary principles. To justify and legitimize the state actions, legal instruments are revived in defense of the state against the customary principles.

transactions. So, two classes were created in terms of proximity to legal system: the majority (poor) located at the margins of the system and exposed to bureaucratic regulations and; the few (rich and privileged) located at the centre and protected by the system.

Therefore, legal empowerment-oriented reforms may imply, in the first place, a *de-facto* overwhelming advantage to those with a greater historical orientation towards its functioning and a serious disadvantage to the majority poor who were denied the same. In this context, private property legislation result into greater exclusive than inclusive effects due to that historical discrepancy. And because of the inferior position to which the legal institutions had been subjected by administrative institutions, laws are easily abused and ignored by government officials, even when Tanzania is professing a commitment to making the most of socio-economic activities legal.

(d) Underdeveloped Commercial Laws

In theory, the law of contract and other commercial laws (being part of the market economy) aim at facilitating and enhancing economic participation. The main assumption is that the existence of protective and facilitating legal institutions enables people to take risks by soliciting financial capital from banks and other financial sources for economic ventures. Furthermore, the laws, it is argued, protect persons who own property by insulating it from commercial risks which encourages more people to participate in productive undertakings. Exchange and trade are also believed to flourish under effective contract laws (Ajakaiye et al., 2006:27). Moreover, Contract laws govern and regulate legally binding agreements and provide the parties freedom to make their own decisions regarding regulations that are required to be within the confines of the law. Contractual relationships between individuals that involve the exchange of property assume a commitment and adherence to the law of the parties to the contract; thus, a breach of contract leads to violation of the other parties' rights, which calls for penalties or other remedial measures. But the contract and other commercial laws in Tanzania are rudimentary and have been introduced recently. The functioning of these laws is unknown, not only to the common citizens, but even to well placed government officials and high ranking politicians. Dubious government contracts, the government's acknowledgement of its ignorance of them and regular initiatives for reviewing these laws are testimony to this abnormality (See Chapter 9). This problem was also identified by one interviewee, as presented below:

You see, the way our fellow Kenyans were left to continue with their involvement in the market economy, and the way we Tanzanians were restricted to do the same during Ujamaa, it is very difficult to imagine a mutual cooperation...You cannot compare our capacity to compete with that of the Kenyans in a market economy! For example, when we began the liberalization and privatization, the issue of allowing Tanzanians to have a joint venture like establishing a bank was difficult. Even the government itself could not accept it. It always believed that Tanzanians couldn't run the bank or any other big business. You could hear them saying: they don't know how to run the bank. After all, they don't have expertise and capital...what are they going to do with the bank? This is true! It is only recently that we began hearing about commercial law and courts or property rights. Most people didn't know about these things at all. Now if you tell me...eeh that we are going for the East African Common Market...to me, it is as if we are dead on arrival! (Interview No.25)

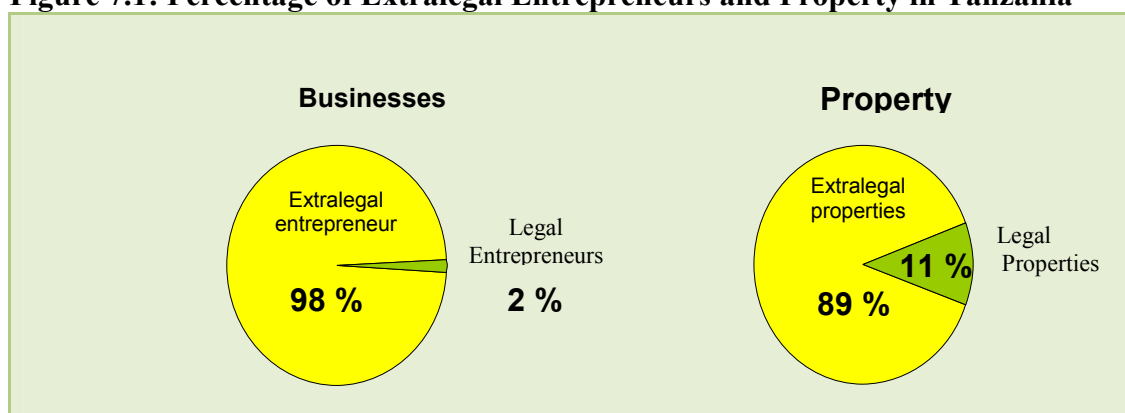
So, the question here is: how can a person who has been kept away of these laws and never given an opportunity to reorient himself of their functioning be a free, independent party to a contract and carry out contractual obligations properly without breach and consequent loss? This historical fact makes any attempt to subject the poor to the logics of property rights and benefits illusory and defective.

(e) The Influence of Informal Institutions and Economy

The overriding influence of informal rather than formal institutions as well as the expansion of an informal economy is another dominant feature of the neo-liberal institutional order. According to Tripp (1996:44-45), informal economy refers to economic activities that are subject to regulation, but in fact operate outside government control. A further distinction can also be made between the licit informal economic activities which have a legal counterpart in the society in question such as doing any legal business without a license and the illicit informal economic activities which have no legal counterpart in a given society such as all forms of corruption and criminal activities for which one cannot obtain a license.

Evidence that the informal sector was becoming a major occupation of the majority of people in the country became vivid in the early 1980s. Discussing the growth of the rural informal sector as an indication of the de-agrarianisation process, Bagachwa (1997:140-141) stated that, from the early 1980s, wage labour began to assume an increasingly important role in the rural economy. For example, he argued, while the 1991 labour force survey indicated that almost one out of four rural households had at least one person who was self-employed in the informal sector during that year, the proportion of non-farm cash incomes in total cash income per household rose from 33% in 1977 to 38% in 1980 and to 47% in 1993. According to him, the increased importance and growth of the early non-agricultural sector was partly induced by the economic crisis and the deterioration in real rural official incomes. As real farm incomes declined, more people began to derive an increasing part of their cash income from non-agricultural sources, giving rise to a thriving rural informal sector (see also Tripp, 1997:58). In 2005, the government found that most Tanzanians operate outside the formal (legal) institutional order (Figure 7.1 and Table 7.7).

Figure 7.1: Percentage of Extralegal Entrepreneurs and Property in Tanzania



Source: URT-MKURABITA, (2005:3): Diagnosis Report Volume II

For example, by late 2005, 98% of all businesses were operating extralegally (a total of 1,482,000) and 89% of all properties were held extralegally (1,447,000 urban properties and 60,200,000 rural hectares) (URT, 2005:3). According to the ILD, “extralegal” refers to economic activity that takes place outside, or is limited or handicapped by, the law, and to economic agents or business and real estate assets that are missing fundamental legal and economic mechanisms that not only empower all economic agents, small as well as big, but are indispensable for the creation of wealth, the elimination of poverty, and the foundation of an inclusive modern economy (URT, 2005:5).

Table 7.7: The Size of the Extralegal (Informal) Economy in Tanzania

Size in Percentage (%)	Estimated Value
98% of businesses in Tanzania (1,482,000 units) are extralegal	The replacement value of urban and rural extralegal real estate and business assets is US\$ 29.3 billion
81% of urban property in Tanzania (1,447,000 units) is extralegal	34 times the investment in infrastructure projects in 1990-2000 (US\$870 million)
94% of rural property in Tanzania used by private economic agents is extralegal.	9 times Foreign Direct Investment in 1964-2003 (US\$3.1 billion)
	6 times the total net financial flows from the World Bank in 1964-2003 (US\$5.3 billion)
	4 times the concessional and non-concessional net financial flows from multilateral institutions since 1964

Source: URT-MKURABITA, (2005:1-2): Diagnosis Report Volume II

The crucial question is: Why do most Tanzanians remain under the confines of informal institutions and are less entrenched in the neo-liberal formal (legal) market-oriented system? Is it because of what Huntington described as a “regressive and anti-market African culture” or David Hume’s prejudiced declaration that “Africans don’t have what it takes to get organized” or the “legacies of African colonial and post-colonial institutional distortions” (URT, 2005:3-4)? The weight of the findings so far presented suggests that the explanation of the aforementioned problem lies more within the historical institutional experiences of Tanzanian society.

(f) The Institutional Experience of the Informal Economy

The issue of how the poor in the informal economy have experienced the state in trying to survive is vital in understanding the contemporary tensions between the formal and informal economy and the policy ambivalences adopted by the government in an attempt to strike a balance between the two systems.

As discussed in chapters 4 and 5, colonial Tanzania was characterized by two distinct socio-economic systems: a large traditional (informal) sector largely catering for the native population and a small formal sector controlled by government and foreigners. After adoption of Ujamaa in 1967, the economy largely remained in the two blocks, the formal sector being controlled by the government and state enterprises, the informal sector continuing to be dominated by the smaller native entrepreneurs and peasants. Above all, Ujamaa was accompanied by expansion of bureaucratic regulations, legal institutional malfunctioning and introduction of regressive institutions (Table 7.8) to control the

informal economy, which was described by government officials as the seedbed of capitalist exploitation and corruption. Since then, the relationship between the informal economy operators (the majority of whom were the poor) and the government has been that of a rat and a cat in a cage!

Table 7.8: Selected Institutional Reforms Responsible for Suppressing Informal Economy and Private development Initiatives

No	Institutional Reform	Impact on the Informal Economy
1.	The 1967 Arusha Declaration	<ul style="list-style-type: none"> ➤ After the Arusha Declaration, the role of the private sector in the Tanzanian economy in general, was muted ➤ Both formal and informal private small scale production were defined as sideline activities offering the potential for corruption and a “seedbed of capitalist exploitation” whose participants were nothing but exploitative idlers and disorderly people; loiterers; and unproductive members of society ➤ Money was discredited as a factor in economic development and source of capitalist exploitation and immorality
2.	The 1967 Leadership Code	<ul style="list-style-type: none"> ➤ The Leadership Code prohibited the involvement of both the Party and government leaders in the informal sector and in any other second income generating economic activities as a way of preventing them from engaging in capitalist production and the consequent exploitation of their fellow citizens
3.	The 1967 Licensing and Regulation Act	<ul style="list-style-type: none"> ➤ They stipulated that, units with investment higher than 5 million Tshs (\$72,740 at that time) needed industrial licenses, while units with investment below this were required to have a certificate of registration ➤ Induced the major constraints on small and micro-entrepreneurs through licensing and taxation regulations that were inappropriate to the realities of production in the country
4.	The 1972 Business Licensing Act	<ul style="list-style-type: none"> ➤ The manner in which they were implemented became a serious constraint on informal business operation and disincentive to become a formal establishment ➤ The excessive red-tape involved in the process of obtaining a business license, which could take up to a year, induced the entrepreneur to pay several bribes ➤ When it came to taxation, the government placed the same kind of regulation on small-scale producers as large scale producers ➤ They resulted in harassment by the local authorities of micro-entrepreneurs without licenses or proper registration, and who failed to meet the standards of public health requirements ➤ The inconsistent and arbitrary enforcement of these measures, especially against the poor who do not have the political or economic clout to protect their interests, was especially resented – a practice that serves only to delegitimize the authorities and undermine their authority
5.	The 1975 Ujamaa Villages Act	<ul style="list-style-type: none"> ➤ Effectively burnt private enterprises in villages and did away with the independent industrial cooperatives in the village ➤ It prescribed that all businesses be owned communally ➤ It had the effect of pushing small-scale and micro-entrepreneurs out of the villages and into the cities where they could operate without such legal restrictions, consequently denying the rural population of the goods and services, as well as entrepreneurial skills, that could have been passed on to younger artisans
6.	The 1982 Cooperatives Act	<ul style="list-style-type: none"> ➤ The Act which permitted the formation of cooperatives only when there were more than 10 individuals involved but did not encourage autonomous cooperatives apart from those formed at the village level
7.	The 1983 Penal Code	<ul style="list-style-type: none"> ➤ It expanded the categories of idle and disorderly persons to include: any able bodied person who is not engaged in any productive work and has no visible means

	Amendment	of subsistence; and any person engaged in lawful employment of any description who is, without any lawful excuse, found engaging in a venture of his own at a time when he is supposed to be engaged in activities connected or relating to the business of his employment
8.	The 1983 Nguvu Kazi (Human Resource Deployment) Act	➤ Micro entrepreneurs also bore the brunt of the Nguvu Kazi (Human Resource Deployment) Act of 1983 which, in effect, declared self-employed entrepreneurs to be “loiterers” and “unproductive” members of society, and sought to move them out of the cities into “productive” farming in rural areas!

Source: Swantz & Tripp (1996:16-17, 18-20, 22); Tripp (1996: 1996: 43, 46-47) and; the Arusha Declaration 1967.

The orientation to this context resulted in two types of antagonistic behaviour: on the one hand, the officials in the party and government developed a strong anti-informal sentiment, especially towards self-advancement by small private businesses in rural and urban areas, in an attempt to suppress exploitation and corruption, and, on the other hand, it triggered counter anti-statist legal and administrative sentiments and distrust on the part of the poor. The result was that, the policy and reforms adopted by the government began to be perceived by the poor as another form of state interference in their private affairs, something that needed to be ignored, avoided or resisted (Table 7.9).

Table 7.9: Reflection on the anti-formal (legal) institutional sentiments and distrust on the part of the poor

Source	Observation
Tripp, 1996:67	➤ The Tanzanian experience shows that the expansion of informal economy activities have been associated with the widespread evasion of and non-compliance with the key institutional reforms and policy priorities. The massive scale of non-compliance and evasion make the cost of securing compliance [in terms of administrative and legal regulations] for the government extremely high
Hyden, 2007:16755	➤ The vast majority of the rapidly increasing number of urban residents in Africa operates in the informal sector by doing their best to avoid the “claws” of the city councils and other regulatory institutions. A large percentage of these residents constitute the one-dollar a day population that the international development community hopes to reach through its interventions...Although this economy of affection may eventually vanish, it continues to be important as long as the degree of market penetration remains limited and the state control ineffective.
A resident of Manzese, one of the biggest informal market areas in Dar-es salaam (Quoted in Tripp, 1996:55-56)	➤ I do not know why the government wants to license <i>Shughuli ndogo ndogo</i> (small businesses). They do not have any capital. Some with small businesses have lost their husbands and have six or seven children and can't get employment. Others may be too old to work. They just want to make money to live, and then the government wants them to pay for a license. This question should be looked at again. Even the President has said that people should be left alone to conduct their small businesses, but it won't make a difference because the City Council won't stop their harassment.

Even after the official recognition (from the early 1980s) of the importance of the informal economy (following the failure of the formal sector to absorb an increasing proportion of the labour force as a consequence of economic crisis of the late 1970s and early 80s), the government did not change in its efforts to try to control and regulate the activities of informal sector operators as closely as possible through licence, business regulations and taxation (Tripp, 1996:51-52). Moreover, there remained disagreement among authorities over whether or not informal small businesses constituted gainful work”. Thus, while many informal sector operators found legalization of informal activities an improvement to the past institutional and policy context, the harassment, corruption and interferences

associated with the new regulations posed a new set of problems which did little more than provoking resentment against the legal system and the administrative authorities.

What is interesting from the institutionalist point of view is Tripp's (1996:56) observation that, while the cost of a licence, harassment and corruption, is important in explaining why the poor did not like to formalize their economic activities, possibly even more significant, was their rejection of state control and regulation of a part of life that was considered their own. Any attempt by the government to regulate their activities was seen as interference of the right to control the means of subsistence, which could prove disastrous at a time when survival is so precarious.

A similar trend was reported in the ILD-Property and Business Formalization survey report in 2005. The report indicated that, laws and regulations governing business and property in Tanzania, were either not provide people with the necessary mechanisms to attain high productivity and to generate capital or made it too difficult and expensive for most people to enter and remain within the formal business system (Table 7.10).

Table 7.10: Constraining Regulations/Procedures Governing Business and the Costs Involved

No.	Aspect of Business	Regulations/Procedures Governing the Aspect and Costs Involved
1.	To obtain a secure, registered legal title over a piece of property	To obtain a secure, registered legal title over a piece of property, a poor citizen of mainland Tanzania must contend with two procedures that together can take upwards of 8 years, involve 68 bureaucratic steps and cost US\$ 2,252.
2.	To obtain a building permit	Since a building permit that complies with development standards is required to obtain security of tenure, the person will also have to follow 21 administrative steps that take 257 days to complete, representing a cost of US\$ 1407.
3.	To have a plot surveyed to gain formal access to land	To have a plot surveyed to gain formal access to land in mainland Tanzania, an individual will have to complete 22 administrative steps that take some 84 days to complete and cost US\$ 932.
4.	To transfer and register rights of occupancy	To transfer and register rights of occupancy in cities other than Dar es Salaam, a person will have to contend with 19 administrative steps that take 380 days to complete and cost some US\$ 1,443.
5.	Starting the operations of a private company	The procedure for legally incorporating, registering, and starting the operations of a private company in Dar es Salaam entails wading through 95 administrative steps in 24 government offices over 283 days, and paying a total of US \$ 3,816. The procedure for legally incorporating, registering, and starting the operations of a private company in Mbeya involves 103 administrative steps in 24 government offices over 379 days at a cost of US \$ 5,506.
6.	Starting up the operations of a sole proprietorship	The procedure for legally recognizing, registering, and starting up the operations of a sole proprietorship in Dar es Salaam entails carrying out 28 administrative steps in 13 government offices over 86 days at a cost of US \$ 234.
7.	To continue operating legally	The obligations and formalities that private companies must fulfil to continue operating legally involve complying with 16 different laws, in the best of cases.

Source: URT-MKURABITA, (2005:2-3): Diagnosis Report Volume II

Again, apart from these constraints, it was also found that, many Tanzanians struggled equally hard and resourcefully to evade the law or the tax authorities by inventing all sorts of clever methods to hide out in the shadows of the legal system, by either keeping a low profile of their business or operating at night and behind the doors. According to the report, it was virtually impossible for 90% of Tanzanians to enter the legal economy and

the obstacles that they would have to overcome to access the legal system and obtain organizational structures, credit, capital, markets beyond their immediate families were insurmountable. Thus, people decided to use an informal self-organized system of institutions that allow them to govern their actions independent of legal system (URT, 2005:4 &5).

7.3 The Paradox of Formal (Legal) Superiority and Inaccessibility

The government interpreted the formal-informal tension in terms of the superiority and inaccessibility of the formal (legal) system and market economy principles. The informal sector was seen as lagging on account of its weak institutional foundation and the inability of its actors (the poor) to cope with the untenable legal institutional environment. Based on that belief, it initiated a series of measures aimed at empowering the majority of the poor citizens to participate in the national formal development processes by formalizing their property and activities.

The government did not think that, the opposite could have been the case; that is, although the inaccessibility of the legal system is one of the constraining factors for the disengagement of the poor in the legal economy, it is probably its illegitimate and less trustworthy status, conferred on it by the poor in the informal economy which is the source of the problem. In other words, it is its inferiority before the informal system, which is mostly trusted and preferred by the poor, that explains the dilemma. While the government sees the legal system as superior, the poor see it as inferior and unreliable. Thus, the inaccessibility of the legal system is artificial. Its inaccessibility is subjective, mainly explained in terms of the *silent strike* and *apathy* on the part of the poor to associate with it and associated economy.

This suggests that the problem, insofar as poverty alleviation is concerned, is not the inability of the poor to access the formal (legal) system, but rather, inability of that system to reach the poor and influence their behaviour towards a desired development path. Weak outreach of legal system and its illegitimate and untrustworthy status given to it by the poor is a challenge to poverty alleviation-oriented reforms.

7.4 Conclusion

The picture that emerges from the analysis is that of the failure of the reforms in “getting institutions right”. The central argument being that, the failure of reforms reflects the failure to understand what makes formal institutions self-defective. It is clear from the analysis that the development logics associated with poverty alleviation and embedded in the legal system and the market economy do not correspond to historical realities of the majority poor Tanzanians. The importance of reforms and the need for institutional mechanisms that benefit the poor is therefore, not yet in place. According to the analysis, reforms have resulted in an institutional order which functions against the poor and provide weak, contradictory and uncertain institutional context. Specifically, it has been learnt that, the reforms have failed to address historical legacies such as: institutional syncretism; ethical duality; weak legal foundation of the market and weak legal system outreach; bureaucratic regulation of production and market economy; underdeveloped commercial laws, expansion of informal economy; and stereotypical view and distortion of modern institutions. These problems constitute the functioning character of the neo-liberal institutional order and remain the main challenge to reformers and policy makers in the country.

Chapter 8

The Organization of Production and Conditions of Poverty

8.1 The Character of Organization of Production

As discussed in chapter 4, cooperatives, local authorities and bureaucracy have been key institutions of organization of production in Tanzania. Following the failure of Ujamaa, the government re-introduced cooperatives and local authorities in the early 1980s as a way of providing the producers with additional channels for participation and control over resources and production process. However, the reform from bureaucratic and statist single-channel marketing system where only cooperative unions, marketing boards, and crop authorities could undertake marketing functions, to a neo-liberal (market) model characterized by “neo-statist marketing system” where cooperatives and other private traders⁵⁹ engage in a bureaucratically regulated market (Amani et al., 1992:8; Cooksey 2003:70), did not resolve the tension between bureaucratic tendencies of control of production process and the need for promoting the autonomy of producers in a free market economy.

The reforms towards a more market-oriented and private sector driven economy from the mid 1980s, particularly in agricultural sector, had little improvement on bureaucratic control of production process. For example, Samoff (1989:14) described the model in 1980s as characterised by intensification of the effort to consolidate the position of the governing class and increasing technical definition of development rather than political mobilization for production. The government embarked on what has been wrongly described as “deregulation and decontrol⁶⁰” of production and marketing system of agricultural products, particularly non-traditional export crops in 1986, food crops in 1989 and traditional export crops (coffee, cotton and sisal) in 1993/94. The so called deregulation and decontrol of agricultural marketing was meant to pave the way for the participation of cooperatives and private traders in the marketing aspects of all crops in a competitive marketing environment i.e. through competitive prices and free entry at all levels of the marketing channel (URT, 2008:4).

However, while these processes were taking place, the government continued to impose regulations on production and marketing system which, according to Amani et al., (1992:8-9), not only created restrictive conditions and uncertainty among private traders and cooperatives, but also promoted grain trade which was biased in favour of the enclave economic regions that were relatively shielded from actual government enforcement of marketing regulations.

⁵⁹ In 1991, responding to the major financial difficulties of the cooperative unions, the government passed the Cooperatives Act, which recognized the cooperatives as private institutions owned and managed by the members (Baffes, 2003:2)

⁶⁰ According to Standing (2008:363) the language of deregulation took hold in the 1980s when the so-called Washington Consensus came into being, even though in the case of the labour market, it was a serious misnomer, since what the World Bank and others in its wake were proposing was a dismantling of protective regulations and a substitution of pro-individualistic, pro-market regulations. In the last quarter of the twentieth century, there were more new labour market regulations introduced around the world than in any comparable period in history.

The call for “*bringing the state back in*” and “*getting institutions right*” beginning in the early 1990s was accompanied by re-empowerment of state bureaucratic agencies (the main feature of the neo-statist model of organization of production) which entailed a reversal to a more interventionist model of economic organization (Cooksey, 2003:70). Because of what was claimed to be absence of regulatory institutions to ensure effective and equitable participation in production process (URT, 1997:17, 2001:10, 2008: iv), various regulatory mechanisms were adopted. They included: registration, deregistration and inspection of cooperative activities; control of local authorities’ resources and functions and reducing them into mere bureaucratic institutions for organization and management of social service delivery and control of local population (Pallotti, 2008; Mmuya and Lemoyan, 2009:16-18); control of traditional export crops through re-empowerment of export crop boards which taxed traders and exports and regulated markets (Cooksey 2003:70; URT,2008:4) and ; regular imposition of local administrative restrictions on private grain trade on the basis of what Amani et al., (1992:1) described as “outdated notions of food security in which local food exports were to be avoided at all cost”, creating government anti-grain marketing tendencies. This problem still exists, as one interviewee complained:

What surprises me is that, for a very long time, even this year and as we speak now, the government, I mean the Prime Minister...bans the sale of food crops outside the country or even outside the districts and regions. If you ask...they will tell you, they are protecting the farmers from a shortage of food or that the farmers are going to sell everything and begin begging the government to supply them with food! Why are they putting restrictions on farmers not to sell their maize and rice while they are saying that Tanzania is a free market economy...what is free here now...eeh? They need to pay, for example, school fees and medical care and without money you will not get anything...but they still interfere with your business. When you grow these crops, you are alone, weeding alone, but when you want to sell, you have to get permission from the government...! I don’t understand this...! (Interview No.7)

Other regulatory mechanisms are: the adoption of too intrusive licensing procedures imposed by Cash-crop Industry Acts through crop boards (Baffes, 2003:12); arbitrary and oppressive treatment of farmers by local authorities, *inter alia* through taxation; the proliferation of sector policies and strategies that privileged the state as initiator rather than facilitator in production process; and the continued practice of government-guaranteed bank lending to certain co-operative unions in enclave economic sectors and regions (Cooksey, 2003:69 &70).

So in practice, production and marketing system have experienced more regulation and re-regulation than deregulation or decontrol. Consequently, there has been excessive bureaucratic control and regulation of cooperatives which, despite the fact that they are still potential institutions of organization of production, particularly on access to financial resources (Table 8.11), they have been perpetuating income inequality (Table 8.20) and the legacies of unequal regional division of labour.

In general, the analysis highlights multiple contradictions of neo-liberal (market) model. There is a tension between the need for creating autonomous cooperatives and other private organizations through market forces and the government desire for directed production through neo-statist re-regulated market. This dilemma has created confusion and uncertainty in production process. While the government insists on promoting cooperative production in rural areas, control of resources including land is still in the hands of the bureaucracy (see chapter 7). Moreover, the new model tries to inject market behaviour into rural areas, and influence production strategies in agricultural sector without

reference to historical institutional realities of organization of production. The peasants long considered passive recipients of bureaucratic instructions and directives, and who were socialized to believe that money and capitalism were immoral and sources of evil, are now seen as active and autonomous entrepreneurs, customers and consumers (Pallotti, 2008:224-225; 227) in the monetary capitalist economy. The implementation of the new-model is made more complex by the fact that, reforms have strengthened rather than weakened the hegemony of the bureaucracy in the management of the economy.

Furthermore, far from being a neutral actor within the market system, the government continues to favour the *dirigiste* model of Statist-organization of production of the Ujamaa era, and is actively regulating production and marketing processes to secure the allegiance of producers and their associations to its economic interest even though this is likely to affect negatively, participation in production process (Cooksey 2003:85; Pallotti, 2008:232). With excessive bureaucratic interference in the marketing system, producers have little control of future transactions (Baffes, 2003:13) and are vulnerable to both, the vagaries of the free markets such as manipulation of the marketing system by influential companies and dubious deals between private actors and government regulators, and the continued bureaucratic regulations of the market system. It is this situation which led Cooksey (2003:76 &79) to conclude: “the market is not so much liberalised as chaotic”.

8.2 The Structure of the Economy and Patterns of Growth

Since the mid 1980s, the main drivers of economic growth have been the “enclave” sectors, which have had little direct developmental impact on the poor majority. For example, while the mining sector has recorded the highest growth rate since 1990 (Table 8.1) followed by tourism and manufacturing (although these had relatively lower growth rates in the 1990s) indicated large increases in the 2000s, the growth in agriculture averaged 4.8% only from 2000 to 2005 and 3.9% in 2006.

Table 8.1: The Structure of the Economy and Patterns of Sectoral Growth (in percentages %) (1990-2006)

No.	Economic Sector/Year	Average Annual growth rate			
		1990-94	1995-99	2000-05	2006
1	Agriculture	3.1	3.6	4.8	3.9
	Crops	3.2	3.9	4.8	4.0
	Livestock	2.5	2.7	4.1	2.4
2	Industry	2.0	5.4	9.0	8.5
	Mining & Quarrying	11.8	14.8	15.2	15.6
	Manufacturing	0.4	4.6	7.3	8.5
3	Service	1.9	3.8	6.1	7.5
	Trade, Hotels & Restaurants	2.0	4.5	7.1	4.3

Source: Utz (2006:21) and URT (2007: 44 & 45)

However, despite its fragile growth and declining contribution to economic production, Agriculture is the second largest sector in GDP (Table 8.2) and the sector in which the majority of people, particularly in rural areas, are engaged. According to HBS 2007, more than two thirds of all Tanzanians are engaged in agriculture and related economic activities, with the large majority of them living in rural and other urban areas. However, while agriculture is the sector in which the majority of the poor are engaged, in terms of value added, it is the lowest compared to others. So, the main issue is not necessarily the number of people engaged in it, but the value added to the outcome of their labour which is important in poverty alleviation and has implications on inequality and insecurity.

Table 8.2: Shares of GDP by Economic Sector (Current Prices -2001 series annual estimates in %) (1998-2006)

Economic Sector/Year	1998	1999	2000	2001	2002	2003	2004	2005	2006
Agriculture	30.3	30.2	29.5	29.0	28.6	28.7	29.5	27.6	26.5
Crops	22.9	22.6	21.7	21.4	21.4	21.8	22.4	20.5	19.5
Livestock	4.4	4.8	5.1	5.0	4.8	4.7	4.8	5.0	4.9
Industry	18.5	18.3	17.9	18.0	19.6	21.0	20.8	20.8	21.0
Mining & Quarrying	1.4	1.4	1.5	1.8	2.1	2.4	2.6	2.9	3.2
Manufacturing	9.7	9.1	8.8	8.4	8.3	8.3	8.1	7.9	7.9
Services	44.0	44.9	45.3	45.5	44.2	42.7	42.0	42.5	43.8
Trade & Repair	13.0	13.1	12.8	13.0	12.4	12.0	11.4	11.0	11.5
Hotels & Restaurants	2.8	2.9	2.8	2.8	2.6	2.4	2.3	2.5	2.6
GDP(Market Prices)	83.1	83.7	83.9	83.9	84.2	84.4	83.6	84.1	84.3

Source: URT (2007: 40)

The data in Table 8. 3 and 8.4 reveal that more than 81% of rural households and 37 % of “other urban” (mainly peri-urban areas) households are in agriculture, hunting and forestry. There is also a rising profile of “enclave” economic production and a declining contribution of agriculture in the economy (Table8.2) indicating that the structure and patterns of sectoral growth are skewed towards enclave production rather than agriculture.

Table 8.3: Percentage Distribution of Economically active and Currently Employed Population (15+ years) by Main Occupation and Geographical Area (2007)

Occupation	Geographical Areas			Total
	Dar es salaam	Other Urban	Rural	
Legislators, Administrators	1.4	0.7	0.1	0.3
Professionals	2.0	1.1	0.1	0.4
Technician and Associate Professionals	5.3	4.6	1.3	2.2
Clerks	1.6	0.8	0.0	0.3
Services & Shop sale Workers	27.0	20.5	3.6	8.4
Agriculture and Fishery workers	5.4	38.3	81.7	68.1
Craft and Related Workers	11.3	9.3	2.9	4.6
Plant & Machine Operators and Assembly	5.8	3.5	0.5	1.5
Elementary Occupations	40.1	21.1	9.6	14.1
Total	100.0	100.0	100.0	100.0

Source: URT (2009) Household Budget Survey (HBS) 2007; page 35, Table 5.2

Since economic growth is a necessary (though not sufficient) condition for sustainable poverty alleviation (URT, 2002:10) and that it is in agriculture and related activities that the bulk of the poor earn their living, this pattern of economic growth has serious limitations with regard to poverty alleviation initiatives and efforts at addressing inequality and socio-economic insecurity. Thus, unless reforms influence the structure and patterns of economic growth in favour of sectors that are mostly engaged by the poor, poverty, inequality and socio-economic insecurity will continue to haunt the country.

Table 8.4: Percentage Distribution of Economically active and Currently Employed Population (15+ years) by Main Industry and Geographical Areas (2007)

Industry	Geographical Areas			Total
	Dar es salaam	Other Urban	Rural	
Agriculture Hunting & Forests	5.0	37.7	81.2	67.7
Fishing	0.5	1.3	1.4	1.3
Mining	0.3	2.6	0.6	0.9
Manufacturing	4.4	3.9	0.6	1.4
Production of Electricity, gas and water	0.9	0.5	0.2	0.3
Construction	4.8	2.8	1.0	1.6
Trade (retail and wholesale)	27.3	18.6	3.6	8.1
Hotel and Restaurants	4.7	3.2	0.6	1.4
Transport and communication	7.1	2.9	0.4	1.4
Financial Services	0.7	0.2	0.1	0.1
Estate Leasing	0.3	0.2	0.1	0.1
Admin, Defence &Public Safety	5.6	3.1	0.5	1.3
Education	2.3	2.6	1.1	1.4
Health and Social welfare	1.9	1.8	0.4	0.7
Other Services	31.9	16.2	7.7	11.1
Private household employing other persons	2.3	2.1	0.4	0.9
Diplomatic offices and Foreign service organizations	0.1	0.1	0.0	0.0
Total	100.0	100.0	100.0	100.0

Source: URT (2009) Household Budget Survey (HBS) 2007; page 36, Table 5.3

The question of most interest to institutional analysts is, “Why is there this inequality in sectoral economic growth?” This requires a detailed investigation of the nature and patterns of resource allocation as well as national, regional and sectoral prioritization.

8.3 Marginalization of Rural and Agricultural Sector

An important argument under historical institutionalism is that institutions provide mechanisms for the mobilization of bias. The salient impact of market-oriented reforms in Tanzania has been their tendency to push the poor out of agricultural sector or, as Hyden (2007:16754) put it: “a move out of agriculture”, by drawing them into off-farm petty businesses as a way of integrating them into the market economy.

Although the government insists that agriculture remains the main source of livelihood for the majority, and its performance significantly determines the overall improvement in people's living standards, it also acknowledges that economic reforms have been accompanied by biased prioritization in favour of the non-agricultural sectors. For example, in 2002, the government argued that the fast growth of mining sector was mainly due to deliberate government policy that aimed at promoting its development through such measures as institutional, legal and fiscal support, promotion of private sector participation, granting tax holidays and sale and transfer of mining rights (URT, 2002:76). Such efforts were hardly observed in the agricultural sector, and it was this bias that pushed the Government to adopt the “Kilimo Kwanza (*Agriculture First*) Resolution” in August 2009 with the aim of combating poverty through pro-commercial agricultural productivity and transformation.

The ambivalence of the government stance over the agricultural sector can also be observed in the differences in terms of the priority sectors between the MKUKUTA and 2005 CCM Party Manifesto (Table 8.5). While, in the Manifesto, the agricultural sector is the key and targeted to grow at a rate of at least 20% by 2010, Mkukuta appears less ambitious and strives for a growth rate of the agricultural sector of 10% by 2010. When it comes to activities/measures for achieving growth in the agricultural sector, the Manifesto is far more comprehensive than the Mkukuta with regard to which sectoral priority is less important to the general economic outcomes. As Selbervik (2006:8) observed, generally, but perhaps particularly within this area, the Manifesto is specific regarding its measures compared to the Mkukuta.

Table 8.5: Priority on Key Productive Sectors between Mkukuta (Government) and the Manifesto (the Party)(2006)

Issue/ Document	Mkukuta Position (Government)	Manifesto Position (the Party)
Priority of Key Productive Sectors	<ul style="list-style-type: none"> ➤ The manufacturing sector is targeted to grow at a rate of 15% by 2010. The agricultural sector is mentioned but with a less ambitious push for its growth: at a growth rate of only 10% by 2010. ➤ The emphasis on industry is not explicit but the industrial sector is nevertheless seen as key ➤ Improving the investment climate market systems to facilitate an increase in trade 	<ul style="list-style-type: none"> ➤ The agricultural sector is <i>the</i> key area that is targeted to reach a growth rate of at least 20% by 2010. The manufacturing sector is hardly mentioned! ➤ The emphasis on industry is explicit and seen as a key sector targeted to grow at a rate of 10% by 2010 ➤ Improving the investment climate and market systems to facilitate an increase in trade

Source: Selbervik (2006:9)

A similar trend is observable in the government report of the Tanzanians' Perception Survey entitled "*The Views of the People 2007*".⁶¹ According to the report (Table 8.6), despite the policies and strategies on agricultural development, 75% of farmers reported that the government provided them with no services whatsoever, while 76% of livestock keepers thought the government was doing nothing to help them. Moreover, there was a significant disparity between income groups, with over 82% of the poor farmers declaring that the state provided them with no services, compared to 66% of the least poor.

Table 8.6: Government Assistance provided to improve agricultural and Livestock production (2007)

Farmers in percentage (%)					Livestock Keepers in percentage (%)	
Government Assistance	Poor	Middle	Least Poor	All	Government Assistance	All
Nothing	82	76	66	75	Nothing	76
Subsidised fertilizer	1	5	15	7	Extension advice	9
Supplied improved seeds	4	6	6	5	Price of animal Medicine reduced	4
Markets	2	4	3	3	Other	3
Provides loans and Credit	1	1	1	1	Loans /Credit to buy livestock	3

⁶¹ The views of the people 2007 was the largest perception survey conducted in mainland Tanzania by 2007, involving 7,879 Tanzanians aged from 7 to 90 years from 10 mainland regions. The aim was to ask their opinion on aspects of economic progress, their standard of living, quality of and access to economic and social services, and trends in governance.

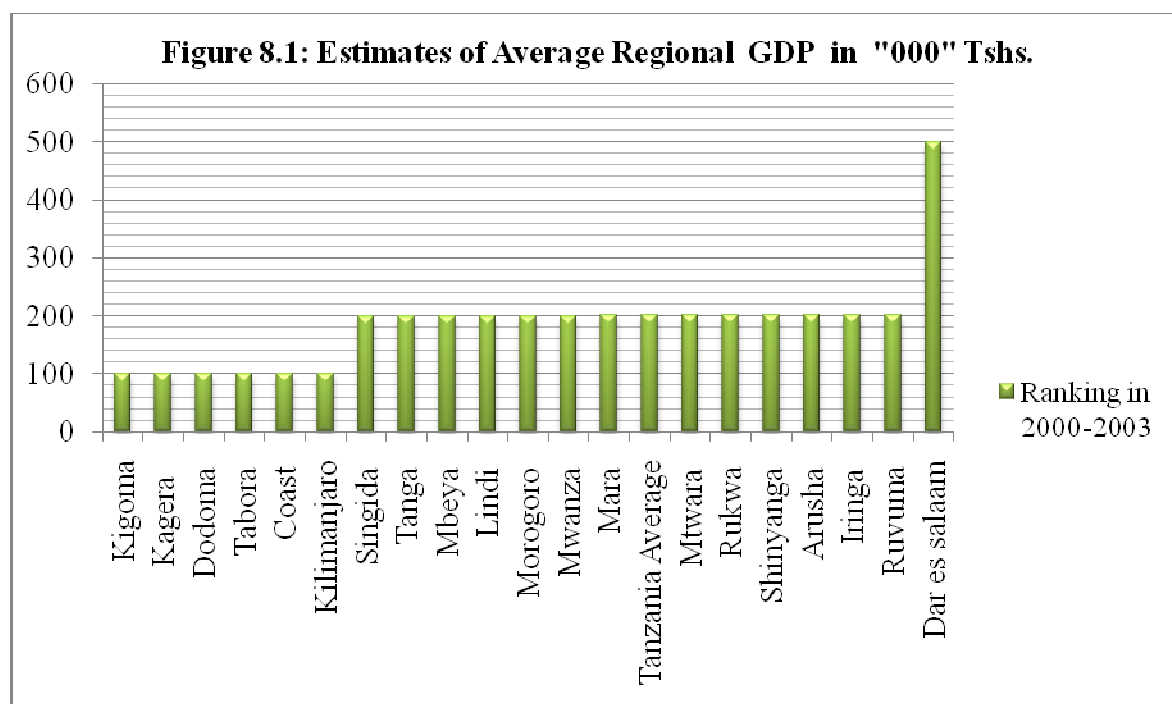
Extension	1	3	2	2	Other Don't know/No response	4
Other	2	1	1	1		
Don't know/No response	7	4	5	6		

Source: URT, 2007. Views of the People, pp.17 &19

8.4 Regional Economic Disparities

The mobilization of bias and marginalization in economic development are also dominant features of regional socio-economic development. According to Mpango (2006:63), understanding the causes of the geographically uneven distribution of resources and economic growth is vital for at least two reasons. First, it enables reformers and planners to unlock the secrets of regional socio-economic inequality and differences in national economic growth rates, aspects which are necessary for prioritization and promoting growth in poor regions while maintaining it in rich regions. Second, it makes it possible quickly to detect and contain extreme economic inequality among different regions which show the potential for social and political instability. The same reasons inform this brief analysis of regional socio-economic disparities in the country.

Evidence from the Household Budget Surveys continue to indicate that poverty remains predominantly a rural phenomenon, and the salient feature of the economic structure and patterns of growth over the last twenty five years is one of persistent regional development inequality. The overall pattern of income of Regions (Figure 8.1) shows that the country is characterized by an uneven distribution of income across regions, with Dar es Salaam dominating all other regions. In general, the structure and patterns of growth and resource allocation have been concentrated predominantly in the urban areas, while rural areas have lagged behind.



Source: Philip Mpango in Utz, Robert J. (2006) (ed); page 65; Figure 3.1.

There are few signs that the regional development pattern has started to change, so that the rural poor are beginning to participate in a significant way and benefit from the current

steady economic growth. For example, the first observation that can be made when looking at the trend and distribution of industrial establishments and employees between 1999 and 2003 (Table 8.7) is the large gap between Dar es Salaam and the other regions, which reveals the depth of regional disparity.

Table 8.7: Regional Distribution of Industrial Activities and Employees -1999-2003

Region	1999		2001		2003	
	NE	EM	NE	EM	NE	EM
Dodoma	1	141	1	10	1	16
Arusha	50	6,018	49	723	50	2,103
Kilimanjaro	37	6,778	35	1,333	36	2,016
Tanga	53	8,506	42	688	43	948
Morogoro	13	12,047	19	1,905	19	3,132
Pwani	1	28	-	-	-	-
Dar es Salaam	213	21,593	263	6,562	298	9,213
Lindi	5	73	4	29	4	29
Mtwara	3	72	3	23	3	22
Ruvuma	10	2,151	8	120	8	123
Iringa	16	12,975	20	967	18	309
Mbeya	15	2,398	18	1,279	22	1,168
Singinda	2	50	2	19	2	49
Tabora	6	988	5	303	6	284
Rukwa	2	79	2	22	2	25
Kigoma	2	143	2	113	1	66
Shinyanga	14	2,451	10	767	10	788
Kagera	22	1,474	28	304	26	296
Mwanza	34	4,184	34	924	33	987
Mara	7	633	11	35	13	329
Total	506	82,782	556	16,126	595	22,497

Source: URT (2003) Annual Survey of Industrial Production -1999. Vol. IIA, Dar es Salaam, National Bureau of Statistics; URT (2007) Annual Survey of Industrial Production, 2001-2003. Dar es Salaam, National Bureau of Statistics; Note: NE=Number of Establishments and; EM=Employees

Distribution of Registered Business and Workers by Region (Table 8.8) shows similar picture. In 2007, Dar es Salaam alone accounted for more than 42% of the total business in the country, followed far behind by Mbeya (7%), Shinyanga and Iringa (5%) and Ruvuma and Kagera (4 %). Interestingly, regional economic inequality is associated with a historical pattern of regional division of labour and differential integration into market economy, with most of the non-enclave regions, such as Lindi, Mtwara, Kigoma, Rukwa and Dodoma, having the lowest proportion of industrial establishments (Table 8.7) and business activities (Table 8.8). The reason for the differences in the business distribution of these regions can be attributed to the differential integration into market economy and biased policy prioritization of both colonial and post-colonial governments.

Table 8.8: Number and Percentage Distribution of Registered Business and Workers by Region including Dar es Salaam (2007)

No.	Regional	No. Of Businesses	% Of Businesses	No. Of Workers	% Of Workers
1.	Dodoma	3,822	1.8	15,187	1.9
2.	Arusha	6,861	3.2	22,516	2.8
3.	Kilimanjaro	4,542	2.1	17,935	2.2
4.	Tanga	5,159	2.4	20,061	2.5
5.	Morogoro	7,303	3.4	30,546	3.8
6.	Pwani	6,065	2.8	22,789	2.9
7.	Dar es salaam	93,430	42.9	348,568	43.6

8.	Lindi	1,963	0.9	6,473	0.8
9.	Mtwara	2,236	1.0	9,929	1.2
10	Ruvuma	9,125	4.2	33,146	4.1
11	Iringa	10,561	4.8	39,038	4.9
12	Mbeya	14,456	6.6	40,706	5.1
13	Singida	5,677	2.6	20,196	2.5
14	Tabora	2,350	1.1	8,075	1.0
15	Rukwa	4,844	2.2	19,046	2.4
16	Kigoma	4,140	1.9	15,065	1.9
17	Shinyanga	11,726	5.4	46,888	5.9
18	Kagera	9,215	4.2	31,334	3.9
19	Mwanza	6,120	2.8	21,670	2.7
20	Mara	5,900	2.7	23,192	2.9
21	Manyara	2,504	1.2	7,954	1.0
	Total	217,999	100.0	800,314	100.0

Source: URT (2008) Business Survey 2007: Other Regions Report- Vol. 1, pages 15 & 16 and Dar es Salaam Regional Report- Vol. 1, page 12. **Note.** Percentages calculated by Author and may not sum to 100 exactly because of rounding.

There is also an indication that the main logic behind the reforms is to make the poor less dependent on land and agriculture and transform peasant smallholder practices into commercial agricultural production. Since the current poverty alleviation policies and initiatives are based on market production and business promotion, peasant farmers are institutionally induced to participate in off-farm businesses at the expense of agricultural production⁶². The result of this has been a shift in agricultural production and resource allocation, from smallholder agricultural production to petty business.

Table 8.9: Distribution of Main Activities of Adults (15+ years) in the previous Seven Days by Geographical Area (2007)

Activity	Dar es Salaam		Other Urban		Rural Areas		Tanzania Mainland	
	2000/01	2007	2000/01	2007	2000/01	2007	2000/01	2007
Farming/livestock/fishing	3.0	3.1	26.1	27.6	74.1	72.5	61.8	57.3
Employee - government	3.8	5.2	5.1	5.3	1.2	1.6	1.9	2.7
Employee - other	19.1	21.7	11.1	11.6	2.1	3.1	4.7	6.5
Self- employed with employees	5.9	5.4	4.4	3.7	0.9	0.9	1.8	1.9
Self -employed without employees	17.4	24.7	15.6	21.7	2.8	7.1	5.7	11.6
Unpaid family helper in business	7.7	1.0	7.5	0.9	3.1	0.7	4.1	0.8
House wives/house maker/household chores	20.1	21.7	14.7	10.3	6.0	5.3	8.3	7.8
Student	11.5	8.0	9.8	10.8	6.8	4.2	7.6	5.8
Not active	11.5	9.2	5.7	8.1	3.1	4.6	4.1	5.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: URT (2009) Household Budget Survey (HBS) 2007: page 38, Table 5.6.

⁶² For example, one of the main objective of Property and Business Formalization Programme adopted by the government in 2005 is to empower the marginalized majority in the informal sector including subsistence agriculture by formalizing their properties mainly land, so that they can use it as a collateral to access credits and other financial services in order to establish and expand their "business". In 2006 the government established a fund of Tsh. 21billion famously known as "J.K Fund" (*J.K stands for current President's names-Jakaya Kikwete*) which aimed at promoting small-business as part of economic empowerment of the poor.

According to HBS 2007, while farming and related activities continue to dominate the activities of households' adult members in rural areas, there has been a decline in the number of adults involved in farming and related activities in rural areas (Table 8.9), from 74.1 % in 2000/01 to 72.5% in 2007. The decline in the engagement in farming and related activities has also been accompanied by a significant increase in involvement in business activities in rural areas, from 39.6 % in 2000/01 to 44.9% in 2007 (URT, 2009:40). A move out of agriculture has a potential for diversification into off-farm sources of income and marginalization of agriculture. This is not to imply that off-farm business production is wrong, but it does suggest that, since the majority of both the poor live in rural areas and depend on agriculture as the main sector and source of their income, and due to the fact that historically, they have been less acquainted with business and that the existing institutional order work against them, diverting them out of agriculture unprepared may subject them to idleness, socio-economic vulnerability and insecurity. One interviewee made the following observation regarding this problem:

“...there is something which is worrying me but which the government is doing nothing about: many people are idle and disengaged in production. In both the rural and urban areas, you will find people hanging around doing nothing and, when you ask them, what are you doing today, they will tell you “nipo tu bwana”...(meaning, I am just hanging around...). Many people are idle...not doing anything! Imagine! And we are crying...our country is poor! (Interview No.19)

8.5 Accessibility to Productive Resources

The current initiatives in the struggle against poverty place considerable emphasis on the ownership and access to resources that can be put to productive use and by which the poor can construct their own routes out of poverty. In this respect, the alleviation of poverty and severe inequality and insecurity depend, to a large extent, on how the poor are enabled to have access to productive resources to meet the increasing socio-economic needs and to institutions of protection from the loss of the acquired resources and insecurities associated with it. When accessibility to productive resources is cramped by malfunctioning markets and disabling or regressive institutional order, then climbing out of poverty, inequality and insecurity becomes difficulty.

(a) Financial Institutional Constraints

One objective of the reforms is to broaden the base of economic engagement by opening up more economic opportunities for the majority of people who have been historically locked outside the privileged circles of the economy. The focus is to bring more people outside the hitherto privileged groups to acquire the means necessary for development. Access to financial resources in the form of credits or loans is one of those means. However, the current character of financial sector development and credit flows among the priority sectors of the poor raises questions as to whether it facilitates or inhibits poverty alleviation.

Table 8.10: Number of Agricultural Households Receiving Credit (from all sources) by Sex of household head -2002/03

Household Receiving Credit					Not Receiving Credit	Total Agriculture Household
Male	%	Female	%	Total Receiving Credit		
123,271	83	25,750	17	149,020	4,656,294	4,805,315

Source: URT, 2006: National Sample Census for Agriculture (NSCA) 2002/2003: pg 108.

According to the NSCA, 2002/2003 (Table 8.10), very few households in Tanzania have access to credit. Out of the 4,805,315 agricultural households, only 3% had access to credit. Of all households receiving credit, 83% were men headed households and only 17% were women headed ones. While imperative under the current poverty alleviation initiatives, access to credit via financial institutions (commercial banks) was the least frequently mentioned source by households, scoring only 2% (Table 8.11). Interestingly, cooperatives were mentioned as the main source of credit to majority households. Their contribution to credit accessibility indicates that, despite their inferior position they occupy within the current system, they remain important institutions in the struggle against poverty.

Table 8.11: Number of Agricultural Households Receiving Credit by Main Source of Credit in Tanzania Mainland-2002/03

	Family and Relatives	Commercial Bank	Co-operative	Saving & Credit Society	Trader / Trade store	Private Individual	Religious Organization/N GO/ Project	Other	Total
	47,722	3,340	52,324	12,434	13,281	5,845	11,317	2,890	149,153
%	32	2	35	8	9	4	8	2	100

Source: URT 2006 National Sample Census for Agriculture (NSCA) 2002/2003: Smallholder Household Characteristics and Access to Services and Natural Resources; National Bureau of Statistics (NBS), Dar es Salaam; pg 109.

The main reason for the limited access to credit was lack of awareness (Table 8.12) of the means for accessing credit (37%) and the usefulness in agricultural production (22.2%). There might be different interpretations of this, but the most appealing factors include the differential exposure to modern financial institutions due to biased regional distribution of modern economic facilities associated with the colonial and post-colonial enclave modes of production and the mobilization of bias against the use value of money and the role of financial institutions, as championed by the Ujamaa economic architects. According to the NSCA (2002/03), while very few agricultural households had access to credit, fewer women headed households (17%) received credit as compared to men (83%) (URT, 2006:25). As discussed in Chapter 4, being based on traditional-patriarchal extended family organization of production, Ujamaa inculcated differential gendered perception of and access to financial institutions between men and women. Therefore, the problem of access to credit reflect differential exposure to these institutions based on gender categorization in which women were confined to domestic while men to economic activities. This deferential socialization to financial institutions created what we can call “financial illiteracy” more among women than men as the legacies of Ujamaa. In that context, financial illiteracy should be seen as part of the problem associated with Ujamaa institutional reforms and social group economic reorientations in which men and women occupied different positions. The financial institutions were developed to bypass the majority in favour of the few in enclave economies most of whom were men creating “double exclusion” of women: as part of the majority poor (both men and women) and as a specific gender category versus men within the poor.

Table 8.12: Number of Agricultural Households reporting the main reasons for Not Using Credit on the Tanzanian Mainland-2002/03

	Not needed	Not available	Did not want to go into debt	Interest rate /cost too high	Did not know how to get credit	Difficult Bureau cracy	Credit Granted too late	Other	Don't know about credit	Total
	193,128	895,156	467,042	135,713	1,764,659	118,737	30,184	15,833	1,035,604	4,656,055
%	4.1	19.2	10.0	2.9	37.9	2.6	0.6	0.3	22.2	100.0

URT 2006 National Sample Census for Agriculture (NSCA) 2002/2003: pg 110.

In 2003, the Government declared that “there has been no improvement in the access to credit in the last 10 years” (URT 2006: 25) in the country. More than four years later, patterns in the availability of agricultural credit are unchanged. According to the government report on the VOP 2007 (Table 8.13), the majority of farmers saw most of the agricultural credit services, agencies or markets as not changing significantly and many more saw a downward rather than an upward trend. In particular, poor farmers were more critical of the trends than the better off. According to them, while availability of credit improved by 3%, no improvement whatsoever was noticed regarding the cost of credit in terms of interest and repayment schedules. Based on the findings, and the context of this study, it can be argued that financial institutional reforms have not been potential in improving productive capacity of the poor through access to credit which is important to poverty alleviation.

Table 8.13: Trends in the AAC, Changes in the last Three Years, by Poverty Headcount

	Poor (Percentage %)				Middle (Percentage %)				Least Poor (Percentage %)			
AA C	IMPT	NCG	GTW	DK/NOP	IMPT	NCG	GTW	DK/NO	IMPT	NCG	GTW	DK/NO
AC	3	21	40	37	4	23	42	32	7	23	41	28
CC	0	15	27	57	2	15	32	52	2	16	31	51

Source: URT, 2007.Views of the People, p.16;**Note:** AAC= Availability of Agricultural Credit; AC=Availability of Credit; Cost of Credit; IMPT=Improvement; NCG= No Change; GTW= Getting Worse; DK/NOP=Don't Know / No Opinion.

(b) Legal and Administrative Constraints

The current laws and regulations governing economic aspects, particularly business and property, either do not provide people with the necessary mechanisms for attaining high productivity and generating capital or make it too difficult and too expensive for most to enter and remain within the market system, no matter how hard they try (URT, 2005:2). For example, to gain access to debt commercial court services (Table 8.14), one has to pass through 9 stages, involving 96 steps in not less than 390 waiting days, costing more than \$11,000. Soliciting land delivery and building permits (Table 8.15) involves 13 stages, 68 steps and 2,883 waiting days, accompanied by a cost of more than \$2,250.

Table 8.14: Selected Regulations /Procedures Governing Establishment of Business - Tanzania Mainland-(2005)

	Procedure	Stages	Steps	Waiting time to complete the procedure	Present value of total costs
				(days)	(US\$)
1.	Legal Incorporation of a Public Company	XIV	117	341	\$6,290
2.	Object tax matters	III	76	378	\$1,378
3.	Movable Guarantees	VI	64	297	\$1,674
4.	Debt Magistrate Court	XI	97	616	\$4,745
5.	Debt Commercial Court	IX	96	390	\$11,167
6.	Customary Law -Loan	III	16	49	\$121
7.	Objecting Administrative decisions	III	15	570	\$1,939
8.	Arbitration Civil Court	II	13	67	\$656
9.	Bankruptcy	V	33	252	\$2,599

Source: URT-MKURABITA, (2005): Diagnosis Report Volume V-B

In general, these findings correspond to the observation made by Ellis and Mdoe in 2003, that the institutional environment facing, particularly, rural citizens did not foster the flourishing of diverse activities required for rapid poverty reduction, and that the legacy of the past in the form of the obstructive public agency responses to business, trade and exchange continued to impact on socio-economic initiatives of rural citizens. It was only a small minority with the requisite personal networks and contacts in the local or national public sector who were able to avoid or rise above the legal restrictions with which most rural citizens were obliged to comply (Ellis and Mdoe, 2003:1379-1380).

Table 8.15: Regulations /Procedures Governing Real Estate – the Tanzanian Mainland-(2005)

	Procedure	Stages	Steps	Waiting time to complete the procedure	Present value of total costs
				(days)	(US\$)
1.	Land Delivery & Building Permit	XIII	68	2883	\$2,252
2.	Property Transfer	III	19	380	\$1,443
3.	Land Allocation	IX	47	2626	\$937
4.	Building Permit	IV	21	257	\$1,407
5.	Land Survey	III	22	84	\$932
6.	Mortgage Claims	V	25	752	\$4,571
7.	Attaching Unregistered Property	II	10	76	\$2,904

Source: URT-MKURABITA, (2005): Diagnosis Report Volume V-A

8.6 Poverty and Inequality in Production

The country's experience shows a small decline of income poverty and a mixed picture of trends in inequality. According to the findings from the HBS, the 1990s and 2000s have not brought significant gains in the alleviation of income poverty for the majority of the population. Table 8.16, which shows the percentage of the population living below the poverty lines in the three surveys, reveals that some 34% of people fell below the basic needs line and 17% below the food poverty line in 2007. Nationally, and in rural areas, there has been a small decline since 2000/01 in the proportion living below both poverty lines. In Dar es Salaam and other urban areas, however, there has been very little change in

the proportion living below the food poverty line, which identifies the very poorest. The overall fall in poverty levels since 2000/01 is not significant, and poverty remains highest in rural areas, where 38% of the population falls below the basic needs poverty line (URT, 2009:48-49).

Table 8.16: Incidence and Depth of Poverty in Tanzania-1991-2007

	Year	Dar es salaam		Other Urban		Rural Areas		Tanzanian Mainland	
		PL	PBPL	PL	PBPL	PL	PBPL	PL	PBPL
Food	1991/92	3,031	13.6	2,387	15.0	1,958	23.1	2,083	21.6
	2000/01	6,719	7.5	5,607	13.2	5,107	20.4	5,295	18.7
	2007	13,098	7.4	10,875	12.9	9,574	18.4	10,219	16.6
Basic Needs	1991/92	4,040	28.1	3,182	28.7	2,611	40.8	2,777	38.6
	2000/01	9,203	17.6	7,680	25.8	6,996	38.7	7,253	35.7
	2007	17,941	16.4	14,896	24.1	13,114	37.6	13,998	33.6

Source: URT (2009) Household Budget Survey (HBS) 2007: page 48- Table 7.1) and page 49 (Table 7.2).

NOTE: PL= Poverty line per Adult Equivalent for 28 days (TZ Shs); PBPL=Percentage of Population below PL.

Although the proportion of the population who is poor has declined, the absolute number of individuals who are poor will have increased since 2000/01 because of population growth (Table 8.17). Using official projections, which imply about 20% growth in the population since 2000/01, 12.9 million people are living below the basic needs poverty line, compared with 11.4 million in 2000/01. Poverty remains an overwhelmingly rural phenomenon, where about 83% of the poor are located (URT, 2009:48-49).

Table 8.17: Distribution of the Poor in Tanzania (2007)

	Dar es salaam		Other Urban		Rural Areas		Tanzanian Mainland	
	2000/01	20007	2000/01	20007	2000/01	20007	2000/01	20007
Total Population '000	1,845	2,882	4,405	6,778	25,650	28,632	31,900	38,291
Share of Population	5.8	7.5	13.8	17.7	80.4	74.8	100	100
Number of Poor:								
Food poverty '000	138	212	581	874	5,233	5,267	5,965	6,353
Basic Needs '000	325	474	1,136	1,636	9,926	10,760	11,388	12,870
Percentage of Poor:								
Food Poverty	2.3	3.3	9.7	13.8	87.7	82.9	100	100
Basic Needs	2.9	3.7	10.0	12.7	87.2	83.6	100	100

Source: URT (2009) Household Budget Survey (HBS) 2007; page 51, Table 7.3.

While the picture that is reflected from data shows that the problem of poverty is not severe and that things are becoming much better, there are issues that need to be taken into account before one can be sure of what is seen in these data. As a requirement for quantitative poverty analysis, two pre-determined absolute poverty lines were used: the Food Poverty Line (reflecting estimates of the costs of a set of basic foods) and the Basic Needs Poverty Line (providing estimates of other non-food expenditures). Despite the fact that, setting a universal quantitative set of fixed basic and non-basic food expenditures as a measure of poverty is controversial, Meena (2008:14) argued that, the poor do not define poverty in terms of income alone. Instead, they emphasize the importance of access to and control over productive resources such as land, inputs, and production oriented services, as well as entitlements to social security. In other words, she insisted, the poor would tend to focus on conditions which have led to their inability to earn a decent income, the amelioration of which will enable them to improve their living conditions. This argument

is in line with *the enforced poverty concept* prevalent during ujamaa. We have seen in chapter 7 and in some section of this chapter how reforms have negatively affected the poor in terms of access to productive resources. The overwhelming evidences on institutional constraints and marginalization of the poor contradict with the relatively low levels of poverty presented by poverty line measures. Moreover, there have been changes to poverty lines (Table 8.16) at both national and regional levels and the government acknowledged that, poverty estimates in 2000 was more accurate than in the previous years (URT, 2001:79), a fact which makes it difficult to conclude that what is presented in the data is the actual picture of the situation.

Furthermore, from social income perspective, the monetary income measure of poverty undermines the complexity of poverty analysis. According to this perspective, to survive in every society an individual must have some source of income, but what counts as income is more than currently perceived in poverty line based analysis. Any individual in any society, it is argued, has up to six sources of income which together constitute the person's social income(SI): the income from Self-production (whether self consumed , bartered or sold) (SP); the money wage or income received from work (W); the value of support provided by the family or the community (CB); the amount of benefits provided by the enterprise in which the person might be working (EB); the value of state benefits (insurance benefits or other transfers, including subsidies paid directly to workers or through firms to them, and the value of social services (SB) and ; private income benefits from investments including private social protection (PB).Therefore, social income (SI)= SP+W+CB+EB+SB+PB (Standing, 2004:198, 2009:9). In Tanzania, like in many African countries, CB source is higher than any other sources of income (Standing, 2004:200) and are not easily captured by poverty line measures. This entails that, the food and basic needs approach to poverty analysis leaves out more of other needs in the society. However, in a country in which for several years most of the basic needs were provided for free, expenditure on the part of the poor does not only indicate a burden rather than a relief, but also a sacrifice on other equally important social services.

Table 8.18: Gini Coefficients

	Dar es salaam	Other Urban	Rural Areas	Tanzanian Mainland
1991/92	0.30	0.35	0.33	0.34
2000/01	0.36	0.36	0.33	0.35
2007	0.34	0.35	0.33	0.35

Source: URT, 2009. Household Budget Survey-2007, p.51, Table 7.4

The figures on income inequality presented in Tables 8.18 and 8.19 show small changes in the status and patterns of inequality in the country. Inequality is highest in urban areas outside Dar es Salaam and lowest in rural areas. In terms of levels of consumption per capita, the poorest fifth of the population accounts for just 7% of total consumption expenditure, while the richest fifth accounts for 42%. The ratio shows a slight fall since 2000/01, most markedly in other urban areas, although the changes in the shares are small. In general, for Mainland Tanzania and rural areas, both measures show that income inequality unchanged since 2000/01 (URT, 2009:51).

Table 8.19: Percentage Share of Consumption Expenditure by Quintile -2007

Quintile	Dar es salaam		Other Urban		Rural Areas		Tanzanian Mainland	
	2000/01	20007	2000/01	20007	2000/01	20007	2000/01	20007
Q1-poorest	7.0	7.3	6.6	6.8	7.5	7.5	7.1	7.2
Q2	11.3	12.2	11.5	12.1	12.3	12.4	11.7	12.0
Q3	16.1	16.6	16.6	16.7	16.4	16.6	16.0	16.3
Q4	23.0	22.5	22.8	22.4	22.4	22.3	22.2	22.3
Q5-richest	42.5	41.4	42.6	42.0	41.4	41.2	43.0	42.2
Ratio of Q5:Q1	6.0	5.7	6.5	6.1	5.5	5.5	6.0	5.9

Source: URT, 2009. Household Budget Survey-2007, p. 52, Table 7.5.

Again, the Gini Coefficient which is an overall measure of how equal or unequal an income or expenditure distribution is, is measured on monetary basis as a point-estimate of equality at a certain time and not life-span changes in income. Therefore, it is difficult to determine the continuous changes in the status of inequality. Moreover, its limited conception of income (the money wage or income received from work) leaves a lot out of analysis. For example, in the social income perspective noted previously, it is argued that, what matters are not just the differences and levels, but also the security of the income. According to Standing (2004), some groups receive less income than they earn, not only because of taxes but because intermediaries control access and deduct some of it, thereby concealing their true poverty and income insecurity and; women are often victims of this kind of impoverishment and insecurity(*emphasis added*). So, the main problem is not only “inequality of income”, but also “inequality of income security” which cannot be explained by the Gini Coefficient measures. The relatively low value of inequality index may also be partly reflecting the widespread nature of poverty across the country, which is predominantly rural, rather than absence of it (Meena, 2008:16).

Table 8.20: Inequality in Annual Earnings by Sector, Gender and Type of Employment (%) -2007

Sector	All Employees			Regular Employees			Casual Employees		
	M	W	T	M	W	T	M	W	T
Private Sector									
Private profit making Institutions	25.5	8.0	34.0	23.8	7.6	31.4	2.1	0.5	2.5
Private non-profit making Institutions	4.1	1.7	5.9	4.0	1.7	5.7	0.1	0.0	0.2
Cooperatives	1.2	0.4	1.6	1.2	0.4	1.5	0.0	0.0	0.0
Sub-total	31.2	10.2	41.4	29.0	9.0	38.6	2.2	0.5	2.8
Public Sector									
Central government	17.8	6.5	24.2	17.4	6.4	23.7	0.4	0.1	0.5
Local government (Urban)	1.8	1.9	3.7	1.8	1.9	3.6	0.1	0.0	0.1
Local government (District)	8.8	3.2	12.0	8.6	3.2	11.8	0.2	0.0	0.2
Parastatal profit making Institutions	11.6	3.8	15.4	11.5	3.8	15.2	0.2	0.0	0.2
Parastatal non-profit making Institutions	2.5	0.8	3.3	2.5	0.8	3.3	0.0	0.0	0.0
Sub-Total	42.5	16.2	58.6	41.7	16.0	57.7	0.8	0.2	1.0
Total	73.7	26.3	100.0	70.6	25.6	96.3	3.0	0.7	3.7

Source: URT (2007) Employment and Earning Survey (Analytical Report -2002); pages: 34 &36. Note: M=Men; W=Women and T=total

Moreover, data on income earnings indicate existence of higher levels of inequality than it is reflected on Gini Coefficient measures. Income earnings are major part of income to employees and in this respect are to a great extent a measure of the level of living of the

workers and welfare of their families in general and therefore, a crucial dimension of poverty alleviation (URT, 2002, 2007). The 2002 earnings survey indicated that, annual earnings differed considerably across sectors, and between gender and categories of employment. Table 20 shows that, employees in the government (central and local) had the highest earnings of about 39.9% of total earnings while employees of the private profit making earned 34% and those in cooperatives recorded the lowest share of 1.6% only. In all sectors women had the lowest earnings, again, with cooperatives being at the lowest level. Similar trend was observed in different categories of employment. While in general, regular employees were better remunerated than the casual employees, women employees had lower earnings than their men counterparts in both regular and casual employment. Moreover, Table 8.21 shows that, the total per capita income is highest in Dar es Salaam, at Tsh. 80,144, and lowest in rural areas, at Tsh. 28, 418.

Table 8.21: Mean Per Capita Household Monthly Income by Source (Tshs, HBS 2007)

Source	Dar es salaam	Other Urban	Rural	Tanzanian Mainland
HBS-2007				
Employment in cash	28,898	12,727	2,812	6,787
Employment paid in kind	84	309	53	104
No-farm self-employment	38,826	34,654	10,241	17,166
Agricultural income	1,036	5,673	11,324	9,426
Producers' Cooperatives	39	135	73	82
Imputed rent	56	60	10	23
Interests & Dividends	71	49	9	22
Rent received	724	1,023	118	338
Transfer & other receipts	10,410	9,599	3,777	5,413
Total, 2007 HBS	80,144	64,231	28,418	39,362
Total, 2000/01 HBS with price inflation	78,680	58,722	27,279	34,601
Ratio of totals	1.02	1.09	1.04	1.14

Source: URT, 2009. Household Budget Survey – 2007, p.62, Table 9.1

While farming and related activities continue to dominate the main activities of household adult members in rural areas (Table 8.22) overall, there has been a decline in the involvement in of both men and women in this sector but with women being more likely than men to engage in it. There is also an increase of both men and women who are self-employed without employees in all areas, although women are still less likely to be self-employed.

Table 8.22: Distribution of Main Activities of Adults (15 to 60 years) by Geographical Area and Gender (2000-2007)

Activity	Dar es salaam		Other Urban		Rural Areas		Tanzanian Mainland	
	2000/01	2007	2000/01	2007	2000/01	2007	2000/01	2007
Farming/livestock /fishing/forest	2.8 (3.3)	3.4 (2.9)	25.4 (28.3)	24.6 (30.1)	77.0 (74.8)	69.8 (74.9)	63.7 (62.8)	55.0 (59.4)
Employee - government	4.4 (3.1)	6.4 (4.1)	6.9 (3.6)	6.9 (4.0)	1.8 (0.6)	2.4 (0.9)	2.8 (1.2)	3.6 (1.8)
Employee - other	27.1 (11.2)	31.4 (12.8)	16.7 (6.5)	15.9 (7.9)	3.4 (1.1)	4.4 (2.0)	7.2 (2.6)	9.1 (4.2)
Self-employed with employees	9.1 (2.8)	7.3 (3.6)	6.5 (2.8)	5.0 (2.5)	1.4 (0.7)	1.4 (0.4)	2.7 (1.1)	2.7 (1.1)
Self-employed without employees	23.6 (12.7)	27.4 (22.3)	20.5 (13.4)	24.1 (19.6)	3.8 (2.2)	8.8 (5.6)	7.8 (4.6)	13.4 (9.9)

Unpaid family helper in business ⁶³	8.1 (13.0)	0.5 (1.4)	10.5 (15.1)	0.9 (1.0)	6.0 (8.7)	0.7 (0.7)	6.9 (10.0)	0.7 (0.8)
Housewives/home-maker/household chores	0.3 (38.0)	7.6 (34.5)	0.6 (20.1)	3.7 (16.0)	0.6 (7.0)	2.9 (7.4)	0.5 (11.1)	3.5 (11.7)
Student	10.0 (7.3)	8.9 (7.2)	4.7 (3.9)	12.2 (9.5)	2.6 (1.5)	5.0 (3.5)	3.4 (2.2)	6.7 (5.0)
Not active	14.6 (8.6)	7.0 (11.2)	8.3 (6.2)	6.7 (9.3)	3.5 (3.5)	4.5 (4.6)	5.0 (4.3)	5.2 (6.1)
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: URT, 2009. Household Budget Survey-2007, p.39, Table 5.7. **Note:** Women are represented by numbers in the brackets

Looking at the pattern of employment in terms of main source of income, Table 8.23 shows that, in both rural and urban areas, there has been a decline in the proportion of formal employment households that are increasingly dependent on off-farm self-employment.

Table 8.23: Percentage of household income by source (HBS 2007)

	Dar es Salaam		Other Urban		Rural		Tanzanian Mainland	
	2000/01	2007	2000/01	2007	2000/01	2007	2000/01	2007
Employment in cash	41.1	35.9	24.1	22.1	7.8	8.1	12.0	13.0
Employment paid in kind	0.6	0.1	0.4	0.4	0.5	0.2	0.5	0.2
Non-farming self-employment	29.1	37.6	32.8	37.1	17.8	27.3	20.6	30.0
Agricultural income	1.9	2.4	19.6	17.7	60.4	49.6	51.4	39.7
Producers' Cooperatives	0.6	0.3	0.4	0.3	0.3	0.5	0.4	0.4
Interests & Dividends	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1
Rents	1.8	1.4	1.2	1.1	0.2	0.3	0.5	0.5
Transfer & other receipts	24.7	24.1	21.2	21.3	12.8	14.1	14.7	16.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: URT, 2009. Household Budget Survey-2007, p. 63, Table 9.2.

Again, the above findings contradict with the relatively low levels of inequality presented by the Gini Coefficient measures. Findings on coverage and inequality of social security benefits in Table 8.30 show similar picture.

8.7 Poverty and Socio-economic Security

The research on socio-economic insecurity in the country is limited although, by many standards, the development conditions associated with the ongoing reforms and the status of poverty and inequality indicates that insecurity remains the most serious problem. For example, by looking at the status of poverty, inequality, occupational security and social protection, one can establish the depth and breadth of insecurity. We have already seen that

⁶³ There was a change in the question related to the category of unpaid family helper. Therefore, there is a great likelihood that some individuals previously classified as unpaid family helper were classified as self-employed without employees a fact which inflated this category

poverty and inequality have continued to affect the majority of people with little prospect of improvement in the near future. A similar picture is observed with regard to other aspects of social security.

(a) Status of Occupational Security

The ILFS of 2006 reveals that agriculture is still one of the dominant sector in which the majority of people are engaged (Table 8.24), accounting for 75.1%. The next largest sector is (sic) the informal sector, followed by other private, with 10.1% and 8.6% of the employed population respectively. A higher proportion of women than men are recorded for the agricultural sector and household economic activities. The remaining sectors record a higher proportion of men than women.

Table 8.24: Percentage of Employment by sector and sex for the population aged 15+ (2006)

Sector of Main Employment	Men	Women	Total
Central/Local government	3.6	1.7	2.6
Parastatal Organization	0.6	0.2	0.4
Agriculture	70.5	79.4	75.1
Informal	11.5	8.8	10.1
Other Private	12.6	4.8	8.6
Household economic activities	1.1	5.1	3.1
Total	100.0	100.0	100.0

Source: URT, 2007. Integrated Labour Force Survey-2006, p.36.

The depth and breadth of occupational insecurity is reflected in the status of employment occupied by the majority of the poor. The problem is that, despite high levels of employment,⁶⁴ two thirds (67.2%) are self-employed in subsistence agriculture-own farms or shambas (Table 8.25), with women being more likely to occupy this status (71.7%) than men (62.4%). In contrast, 15.3% of men are paid employees, while only 6.1% of women occupy this status. Self-employed persons account for 10.9% of all employed persons and unpaid family helpers account for 11.4%

Table 8.25: Employment Status for the economically active Population aged 15+ (2006)

Employment Status	Male	Female	Total
Paid Employee	15.3	6.1	10.5
Self-employed (non-agricultural) with employees	2.6	1.0	1.8
Self-employed (non-agricultural) without employees	10.0	8.2	9.1
Unpaid family helper (non-agricultural)	1.5	5.3	3.5
Unpaid family helper (agricultural)	8.1	7.7	7.9
Work on own farm or shamba	62.4	71.7	67.2
Total	100.0	100.0	100.0

Source: URT, 2007. Integrated Labour Force Survey-2006, p.38.

⁶⁴ These relatively high rates of poverty, inequality and insecurity do not result from a lack of engagement in economic activity. Indeed, in 2006, 89.6% of the population aged 15 years and above was recorded as being economically active, with rates of 90.5% for men and 88.8% for women (National Bureau of Statistics 2007). Further, among the economically active population, the overwhelming majority is under-employed rather than unemployed (Meena 2008:14).

A further problem is that much of the paid work exists in the informal sector. Table 8.26 shows that, in 2006, 40% of the population engaged in informal sector activities compared to 35% in 2001. It also reveals that the concentration of informal activities is higher in urban (55.0%) than in rural households (33.0%). However, the percentage of households that engage in informal sector activities in urban areas has declined, from 61% in 2001 to 55% in 2006, while that in the rural areas has increased from 27% in 2001 to 33% in 2006, confirming the process of shifting away from engagement in agriculture noted earlier.

Table 8.26: Trend of Households with Informal Sector Activities, 2001 and 2006

Area	2001		2006	
	Number	Percentage	Number	Percentage
Dar es salaam	223,707	62	529,175	57
Other Urban	554,347	61	809,839	54
Urban Total	778,054	61	1,339,014	55
Rural	1,235,777	27	1,973,760	33
Total	2,013,832	35	3,312,774	40

Source: URT, 2007. Integrated Labour Force Survey-2006, p.43

In terms of unemployment, the ILFS of 2000/01 revealed that, the number of unemployed persons had more than doubled in ten years from 405,722 in 1990/91 to 912,772 in 2000/01, with the number of unemployed women being 57.4 % and men 42.6%. It was also noted that unemployment was higher in urban areas for both gender (URT, 2002:73). In 2006 about 56% of the unemployed population were women (Table 8.27) and nearly 60% of them lived in urban areas compared to only 45% of the unemployed men (URT, 2007:57). The trend thus shows that, women continued registering a higher level of unemployment than men in all areas, except rural. However, the relative low rate of women unemployment in rural area is a result of their engagement in agricultural activities which, as discussed earlier, has low value of the outcome of labour which is important in poverty alleviation.

Table 8.27: Unemployed rate and population 15+ years by Gender and Area, 2006

Gender	Dar es Salaam	Other Urban	Rural	Total Population
Men	242,369	196,120	529,359	967,848
%	25.0	20.3	54.7	100.0
Rate	23.0	13.6	8.1	-
Women	413,623	311,652	501,270	1,226,545
%	33.7	25.4	40.9	100.0
Rate	40.3	19.2	7.0	-
Total Rate	31.5	16.5	7.5	11.7

Source: URT, 2007. ILFS-2006, p.57

There is also an interesting phenomenon associated with poverty alleviation initiatives through primary education: the expansion of primary education and growing informalization of occupational activities. One of the goals of MKUKUTA is to ensure equitable access to education through increased free enrolment in primary education as a way of developing human resource to improve the quality of life and social wellbeing conditions that are believed to be necessary for poverty alleviation (URT, 2007:19-20). As a result of government efforts, the primary education enrolment rate increased from 66.5% in 2001 to 96.1% in 2006 (URT, 2006:15). Data on engagement in the informal sector by educational level (Table 8.28) indicate that about 67% of the population engaged in the informal sector as their main activity in 2006 had completed primary school. So, expansion of primary education has been accompanied by expansion in informal sector engagement.

Table 8. 28: Engagement in the informal sector (as main activity) by educational level and sex, 2006 (in %), 2007

Education level	Male	Female	Total
Never attended	8	15	11
Primary not completed	11	10	10
Primary completed	69	66	67
Secondary and above	12	10	11
Total	100	100	100

Source: URT, 2007. Integrated Labour Force Survey -2006, p. 44

(b) Status of Social Security

We have learnt in chapter 5 that, the country's social security set-up largely followed the ILO's social security system. The type and contents of benefits were offered according to the ILO Social Security (Minimum Standards)⁶⁵ which became part of standards guiding social security schemes under the Ujamaa's universal social protection system.

The universal social protection system ended with the adoption of the IMF and World Bank's structural adjustment programmes in the mid 1980s. Based on neo-liberal economic theory according to which, the public sector expenses are considered wasteful and public social security programmes represent an important part of these public finances wastage, World Bank and IMF pushed for reforms against universal public social protection system as a way of creating favourable conditions for market economy. As a result, the universal social security system was replaced by the so called "*social safety nets*"⁶⁶ which became part of what Wuyts (2006:2) described as "traditional types of single-cause crisis responses" such as to cater for food shortage caused by drought, rescue of flood victims, interventions for HIV/AIDS victims, old age, childhood, disabilities and maternal health insecurities. According to him, formal social assistance programmes for the poor were reduced to schemes of local poverty management, often with patronising characteristics and lack of continuity. Thus, from the mid 1980s, social security schemes became the main form of formal social protection along with (sic) social safety nets. Moreover, in conditions where, like in Tanzania, institutions of social protection are weak, processes of informalization of socio-economic activities are rapid and, potential conditions for incidences of poverty and inequality are high, selective social protection is likely to perpetuate insecurity among the poor.

(i) The Character of Social Security System

Social security system in Tanzania is greatly affected by the institutional context in which it was developed. The system is characterized by multiplicity of schemes founded on different legal and administrative regulations, catering for different social groups and

⁶⁵ The ILO'S guidelines for setting minimum benefits provided that a social security scheme should cover the following contingencies:- Old-Age (Retirement);Invalidity; Employment Injury; Survivors; Medical Care; Sickness; Unemployment; Maternity and ; Family allowance

⁶⁶ According to Standing (2007:514), "social safety net" is the term which rose in 1990s as a result of the ascendancy of supply-side economics particularly from World Bank, IMF and OECD representing "selective", "targeted" measures, usually means-tested, supposedly developed to rescue the victims of structural reforms associated with the rollback of public social spending and erosion of various forms of social protection required to boost economic growth in developing countries. Apart from patronizing stigmatizing by dividing society between "the most in needy" or "deserving" and those "undeserving", the concept is empirically irrelevant.

sectors and using different methods of benefit computation which leads to incoherencies and inequality in distribution of social security services. Due to historical legacies of excessive bureaucratic regulation of socio-economic life, social security schemes are highly controlled and regulated by administrative institutions. Table 8.29 shows that, all schemes are placed under a particular Ministry which, under existing legal framework, has enormous power over key issues related to the functioning and management of schemes. For example, though generally there is very limited possibility of portability of members' benefits from one scheme to another, the law provides that, it is the Minister responsible for the Scheme who has the power to make regulations providing for all matters required for giving effect to transfer and portability of benefit rights (Social Security-Regulatory Authority-Act of 2008). Other researchers have also reiterated this problem. In the early 2000s, Mchonvu and others identified bureaucratic monopoly, forced membership and authoritarian character of administrative regulations of these schemes, as part of the reasons for rights to social security being not conferred upon citizens (Mchonvu et al., 2002:17). Dau (2003:33) found that, the management of social security schemes faced undue interference from government, especially with respect to investment matters and selection of the management and boards of directors.

(ii) Coverage and Inequality in Social Security

In terms of the coverage, social security schemes cover a very limited proportion of the population and have not reached most of the urban and rural poor. In 2003, the government estimated that, of the 33.5 Tanzania's population only 2.7% was covered by the mandatory formal social security system, and, of the 16 million active working populations, only 5.4% was covered. The fate of the majority was left to the informal, traditional social security systems built on family and/or community support (URT, 2003:4-5). For example, by 2003 the NSSF's membership was 450,000, while the PPF covered about 90,000 members. The PSPF covered 193,000 employees; the LAPF covered just 45,000 and NHIF 180,000 (Table 8.29).

Table 8. 29: Structure and Coverage of Social Security in Tanzania by 2003⁶⁷

No	Social Security Fund	Coverage	Members	Contribution Rates	Responsible Ministry
1.	NSSF	All private sector employees ; and non pensionable employees in the government	450,000	Employer 10% Employee 10%	Labour, Youth Development and Sports
2.	PPF	Essentially, employees in the state-owned parastatal organizations; members can register in the private sector also	90,000	Employer 15% Employee 5%	Finance
3.	PSPF	All central government employees & Executive Agencies	193,000	Employer 15% Employee 5%	Finance
4.	LAPF	Employees of local governments in the	45,000	Employer 10% Employee 10%	Local Government and

⁶⁷ Although we were not able to get current data on membership trends of various pension funds, the Report of the committee appointed by the Minister for Education and Vocational Training in 2008 to determine the shortcomings limiting the provision of quality services by pension funds particularly the problem of low pension benefits of Academic Staff of Public Universities in Tanzania, revealed that status of membership and benefit had not changed significantly, by 2008. For example by 2007 PPF had 92, 000 members and continued to be the lowest social security benefit conferring scheme in the country (see URT-MoEVT, 2008)

		cities, municipalities, towns and districts			Regional Ad ministration
5.	NHIF	Initially, central government employees; to expand to all government employees elsewhere	180,000	Employer 3% Employee 3%	Health

Source: Dau, (2003), p. 32. Note: NSSF=National Social Security Fund; PPF=Parastatal Pensions Fund; PSPF=Public Service Pensions Fund; LAPF=Local Authorities Provident Fund; NHIF=National Health Insurance Fund

Apart from incoherencies, low coverage and benefits, multiplicity of social security schemes has resulted into double contribution and erosion of incomes of members thereby affecting their ability to afford other equally important social needs. For example, contributions to NHIF which was initially limited to central government employees before the mid 2000s, has been made a mandatory to all government employees who before then, received health services and insurance as part of employees' obligation. Currently, they have to contribute for health insurance as a separate social security service. These conditions has been the source of tension between the government and workers' unions particularly those under PPF. Part of the reasons as to why PPF members have been into conflict with the government is inequality in social security benefits and the lower benefits offered under the scheme.

Table 8.30: Tanzania Social Security (Pension) Funds -Benefits Inequality Scenario

Parameter	PPF	NSSF	PSPF	LAPF
Period of Service, PS = 25 yrs (300 months) since 1 st July, 1984;		Average Gross Monthly Salary = 1,500,000/-		
PS [months]	300 (48 + 252)	300	300	300
PF	1/960, 1/600	(1/720 1/600)	1/540	1/540
CF [years]	12.5	18 [<i>12.5 for Total MP</i>]	15.5	15.5
Basis	APE	AME	LMS-A, SA	LMS-A, SA
Basis Amount [TShs]	18,000,000	1,500,000	10,000,000	10,000,000
CPG [TShs]	26,437,500	36,000,000	77,500,000	77,500,000
MP [TShs]	528,750	675,000	416,667	416,667
Total MP for CF [TShs]	79,312,500	145,800,000 [<i>101,250,000</i>]	77,500,000	77,500,000
Total Pension [TShs]	105,750,000	181,800,000 [<i>137,250,000</i>]	155,000,000	155,000,000

Source: URT 2008:31; Table 6; Keys: AME=Average Monthly Earnings (the computed mean of earnings divided in 12 months); APE=Annual Pensionable Emoluments (Amount of wages received by an employee annually); CF=Commutation Factor (a numeric figure applied in calculating pensions that takes into account of post retirement life expectancy (for Tanzania the value is 15.5); CPG=Commuted Pension Gratuity; MP=Monthly Pension; PF=Pension Factor (an accrual rate factor used in calculations of pensions such as 1/960, 1/600, 1/540 meaning one free months' salary for every 960, 600 or 540 months an employee works); PS=Period of Service; SA=Specified Amount.

As shown in Table 8.30, workers covered under schemes outside the central and local government bureaucracy (the PPF and NSSF) are the lowest paid when compared to workers under the central and local government schemes (the PSPF and LAPF). For examples, estimates of total pension per worker for 25 years at an average gross monthly salary of Tsh.1, 500,000.00 is Tsh.105, 750,000.00 for PPF and 137, 250,000.00 for NSSF

which are lower by Tsh. 50, 000,000.00 and Tsh.17, 750,000.00 respectively, compared to Tsh. 155,000,000.00 paid under PSPF and LAPF. Interestingly, the lowest paying schemes are those open to private sector employees and other formal employment outside the mainstream bureaucracy. Therefore, social security schemes provide inadequate and unequal social benefits to some members, hence leaving them in poverty and insecurity when faced with various contingencies.

These weaknesses of formal social security system: institutional multiplicity and incoherencies; limited coverage; multiple contribution, inequality and inadequate payments; monopolistic, bureaucratic management and compulsory membership and ; limited information and portability of benefit rights, have reduced social security services into social privileges than rights. Data on the status of social security and protection services for the elderly from the VOP 2007 below partly illustrate this argument.

In the case of the main sources of subsistence for the elderly, Table 8.31 shows that, the majority, especially women, depend on their immediate family for subsistence, while 34% of men and 20% of women still work full-time with very few receiving pension. Moreover, there is no social pension scheme for the elderly in the country. This implies that, the majority who feel insecure do not have immediate source of income and this perpetuates their insecurity further.

Table 8.31: Main Sources of Subsistence for the Elderly (Over 60 years), 2007

Main Sources of Subsistence	Male	Female	All
Children/Family around me	34	60	45
Full-Time work	34	20	28
Remittances	20	22	21
Part-time work	8	3	7
Pension	7	1	5
FBOs, NGOs/CBOs, neighbors	1	2	2

Source: URT (2007) Views of the People-2007, Page 43. **Note:** Multiple responses were allowed; FBOs=Faith Based Organizations; NGOs=Non-governmental Organizations; CBOs= Community Based Organizations.

In terms of help when encountering problems, almost all (88%) of the elderly (Table 8.32) said that their immediate family would help them if they had a serious problem, while 38% depended on friends and neighbours. About 11% saw no help forthcoming from any source. Furthermore, security in old age was identified as a big concern among the elderly, with 75% concerned about losing the strength to work as they grow older, and 66% fearing hunger, poverty and a loss of independence through ill-health (URT-VOP, 2007:xi; URT-PHDR, 2007: 82).

Table 8.32: Expected Sources of Help for the Elderly, 2007

Sources of Help when having serious problems	Male (%)	Female (%)	All (%)
Immediate Family	88	88	88
Friends and neighbours	38	38	38
Clan, peer group	35	29	33
Religious Leaders/bodies	22	18	21
Local government	13	10	12
Older people's group	12	10	11
Nobody	10	12	11
Local NGOs/CBOs	5	6	5

Source: URT (2007) Views of the People-2007, Page 44. **Note:** NGOs=Non-governmental Organizations; CBOs= Community Based Organizations.

Although it is the government's policy that women (particularly pregnant women), the elderly and young children are "the most in needy" and should be given free treatment, the policy is unknown to some of them and, even when known, it is often ignored by the service providers who insist on cash payment and subject the target groups to humiliation and stigmatization (URT-VOP, 2007:44-45, *emphasis added*). For example, the results of the VOP 2007 on the payment for healthcare (Table 8.33) show that 35% paid it themselves and 27% had their costs paid by family members, 9% from health insurance and other sources, while 14% received no treatment. Thus, about 76% of the elderly did not receive free treatment, which was received by only 15%.

Table 8.33: Paying for Healthcare, 2007

Payment for Treatment	Male %	Female %	All %
I paid myself	43	27	35
My family paid for me	18	41	27
I received free treatment	15	14	15
I received no treatment	13	16	14
Other	8	9	7
Health Insurance	2	3	2

Source: URT (2007) Views of the People-2007, Page 44

The VOP 2007 report also mentioned that nearly half of the over 60s (48%) did not know that they were entitled to free treatment in government facilities (42% of men, 58% of women). In addition, approximately 18% said they had been refused treatment in a government facility because they could not afford to pay for the services, while 13% indicated they had been refused free treatment due to lack of proof of age (URT-VOP, 2007:44).

What are of great interest insofar as institutional analysis is concerned are the syncretistic character and weak formal rules and regulations associated with the social security system, which are easily ignored by the service providers, thus rendering the whole system dysfunctional. The VOP 2007 confirmed that, while in many of the study sites the elderly knew they were entitled to free medical services, the problem was that the policy was ignored in practice, and the experience was similar in both rural and urban communities. Table 8.34 presents some perceptions of the difficulties in accessing free health care by the elderly in the country.

Table 8.34: Perceptions on Difficulties in Accessing Free Health Care by the Elderly, 2007

Study Site & Focus Group	Views of the People	
	Kiswahili	Meaning in English
Women's Focus Group: Korogwe	"Kwenye redio wanasema akina mama, wazee, na watoto wadogo wanapewa huduma bure lakini eneo hili ni kitendawili na halijawahi kutokea."	"Through the radio they say that women, the elderly and young children should be given free treatment, but in this area, that is a paradox; it has never happened."
Elderly Focus Group: Tanga	"Msamaha wa matibabu wa wazee huku ni kama haupo, ukienda na barua utaambiwa hakuna dawa. Maduka ya dawa tunayoagizwa ni ya madaktari wenyewe."	"Exemption from medical costs for the elderly is kind of non-existent here; if you go with a letter, you are told that there are no drugs. The pharmacies we are told to consult are owned by the doctors themselves."
Elderly Focus Group: Dar es Salaam	"Kuhusu matibabu ya bure ya wazee bila kunyanyaswa...tunaambiwa tu, lakini inatakiwa pesa. Mfano unaweza	"About exemption from medical charges...we are just told, but payments are demanded. For example, you may be

	ukaambiwa nenda huko walikotangaza matibabu ya bure...Umesikia wapi matibabu ya bure?"	scoffed at and told to go where they announced free medical care; where did you hear about free medical care?"
Focus Group: Lindi	"Alienda kupata huduma akaulizia sera hiyo akakataliwa huduma mpaka atoe pesa. Jibu la wauguzi wanasema hawajui...Vikongwe wanahudumiwa na pesa."	He went to get treatment and asked about the [exemption] policy - he denied treatment until he paid. The attendants' response was that they don't know [about exemption]. The elderly get served if they pay."

Source: URT (2007) Views of the People-2007, Page 45-Box No.7.

8.8 Conclusion

The picture of conditions of poverty, inequality and socio-economic insecurity that emerges from the analysis is worrisome. The findings reveal the existence of: institutions and policies biased against sectors important to the poor; excessive bureaucratic interference in production process; limited access to financial resources; low coverage, multiple contribution and inequality in social security benefits and; potential conditions for emergence of new incidences of poverty, inequality and insecurity. A key message that emerges from the analysis is that, reforms have not created a favourable environment for poverty alleviation and promotion of socio-economic security for the majority of the poor. The general institutional context, therefore, is tolerant to growing poverty, inequality and socio-economic insecurity.

Chapter 9

Corruption and Poverty Alleviation

9.1 The Concerns for Corruption

Corruption was declared a scourge of the newly independent Tanzania in the early 1960s. The founding father Mwalimu Julius Nyerere, cited corruption as a vice that threatened to undermine the struggle of the party, the government and the millions of Tanzanians in building a new nation founded on freedom, unity, human equality and justice. Adding corruption to his list of the three enemies: poverty, ignorance and disease, he insisted that for people to have absolute confidence in their government, it was paramount to ensure the proper use of resources in the war against these four enemies. He strongly argued that corruption was a greater enemy to the welfare of the people and it deserved to be treated almost in the same way as treason (Nyerere, 1966:82; CTS Newsletter, 2009). He never believed that people could reap the true benefits of independence if corruption were allowed to continue, adding that people's confidence in their government, including the very foundations of justice, was at risk if corruption was allowed to thrive (Timamy, 2005:383; Kaduma, 2004:42). For example, three of the “Ten Pledges” of TANU, which were regularly recalled by both party leaders and members, included (in no particular order): “I pledge to work to eliminate/eradicate poverty, ignorance, disease and oppression”; “Corruption is the Enemy of Justice; I will not involve myself in corrupt practices”; and “I will not use my official position or that of any other personal for person gain”. These pledges reflected the normative life expected to be the basis of both leadership and social life of the people after independence (TANU Pledges 1962, *quoted in* Kaduma, 2004:42). Since then, the government has adopted different reforms (Appendix: 9A) to address the problem, depending on the changing circumstances of development.

The first generation of anti-corruption initiatives were associated with the adoption of the Republican Constitution of 1962, which marked the beginning of the “imperial presidential system” and consolidation of bureaucratic rule and led to the transfer of collective and individual responsibility of higher public officials, from popular representative institutions such as the national assembly, to the presidency and thus to the bureaucracy itself. This was followed by adoption of the single-party constitution of 1965, which led to the replacement, by the ruling party, of the public officials’ ethical enforcement roles of the popular representative institutions. The party became the counter-bureaucratic control mechanism and government-citizen information transfer centre. The elevation of the party into a constitutional category, similar to legal institutions, and the replacement of popular representative institutions by the same, led to the formation of a single-party accountability system which undermined legal mechanisms. Much of unethical behaviour cases of the political leaders and administrative officials were sent to the Party Organs for ruling and very few were legally handled. Therefore, the character of the single-party system frustrated the legal ethical enforcement mechanisms, creating a paradise of impunity for corrupt public officials.

The adoption of Ujamaa in 1967 marked the beginning of the second generation of anti-corruption initiatives which were a consolidation of the first generation and an expansion of controls over officials’ behaviour as a way of promoting integrity. The main objective was to separate private interests and the benefits of the public officials from those of the

official positions and duties they held. However, Ujamaa complicated the matter by prohibiting both public officials and citizens from engaging in any private wealth accumulation, thereby limiting individual desire and orientation to private self-capital accumulation for investment and businesses entrepreneurship. It was this constraint on individual private economic engagement that became associated with the economic crises that began to bedevil the country in the late 1970s and that created the wrong impression of the intention behind the Ujamaa ethical enforcement mechanisms, justifying ill-prepared abandonment of most of them during the transition to neo-liberal capitalism, creating an enforcement vacuum that led to an eruption of corruption.

Corruption regained its central position in both domestic policies and international development aid initiatives in the country in the mid 1990s. As a response to that, the government adopted the third generation of anti-corruption initiatives. This was in response to the worsening conditions of corruption resulting from abandonment of the normative principles of Ujamaa and adoption of the *laissez-faire* economic policies of the Second Phase Government, commonly known in Kiswahili as “*Ruksa*” policies. These policies were characterised by bureaucratic lenience and legal paralysis. There were two forces behind the rejuvenation of anti-corruption initiatives: The pressure came from growing domestic anti-corruption sentiments, in the party and society. For instance, Julius Nyerere delivered a series of speeches, which have come to be known as “*Usia wa Baba wa Taifa*”⁶⁸, in which he declared that Tanzania reeked of corruption. He argued that the state had been shaken and had produced several “faults” in its walls and foundation (implying collapse of the moral foundation of leadership). It was his conviction about leadership morality which pushed him to play a pivotal role in supporting Benjamin Mkapa’s party candidacy in 1995. Nyerere believed that Mkapa stood for integrity and anti-corruption, in contrast with the outgoing President, *Mr. Ruksa (1985-1995)*, who, at the end of his 10 years of leadership in 2005, had turned into *Mr. Reeking*. The pressure also came from the donor community. This was a result of shifts in their concerns over corruption which reflected changing perspectives on the reasons for socio-economic deterioration despite structural adjustment. It was also a result of the growing misuse of aid by government officials through corrupt means, which not only threatened development initiatives but also the repayment of debt and implementation of aided development programmes.⁶⁹ As Szeftel (2000:288) put it: “Creditors in the metropolitan core were less tolerant of officials in peripheral states diverting aid and public resources, into their own pockets... and the need to ensure that governments in these regions repay their debts to their (Western) creditors [and] corruption [is not] a threat to the programmes they administer”. In part, it reflected the neo-liberal concern for promoting market friendly development through *getting institutions right*, by regulating the role of the state in economic affairs and strengthening private ownership and free market operations. “Tackling corruption, from this perspective, involved reducing the ability of state officials to impose political costs on business by appropriating resources for themselves” (ibid).

Therefore, from 1995, corruption became a major component of reforms within a national good governance framework, emphasizing creation of a government system that is

⁶⁸ Literally meaning: “an advice full of wisdom from the Father of the Nation”. It is now used as “a dying advice” left by him as a guide to the Nation and to the leadership. In these speeches, he explained the key problems facing Tanzania and tried to provide solutions. The central message in his speeches was a call for moral and committed leadership to lead the Nation in the current challenging domestic and international environment.

⁶⁹ Whether they prioritised economic restructuring (like the international financial institutions), poverty reduction (the World Bank and DFID since 1997), governance reforms (Britain, the EU) or human rights and democracy (the Nordic countries), corruption represents a threat to their programmes. This was illustrated by the high cost of corruption, both to the countries affected and to the aid programmes.

transparent and responsive, managed by officials who are accountable, efficient, ethical and professional (Afrobarometer, 2006:2).

9.2 The Concept of Corruption

While it is not our intention to dwell on the debate about what constitutes corruption and what does not, it is important to note that, since the declaration of “the war against corruption” in the early years of independence, corruption has always been defined as abuse of public office (both political and administrative) for private gain. In other words, the conception of corruption rested on the assumption of a separation between the state or its agents and the rest of the society and it was the violation of this public/private distinction between individuals that defined corrupt behaviour (Szeftel, 2000:298; Heilman et al, 2000:497; Cooksey, 2005:1; Haller and Shore, 2005:5).

While we maintain the above conception, mainly because it associates anti-corruption initiatives with the legal process, we would like to expand on that by adopting two anthropological assumptions about corruption that are closely related to the historical institutionalist view of human relations and agency in underdeveloped countries. First, corruption should be seen as a form of historically developed exchange (social, economic and political), which forms part of the way in which individuals in society connect with the state. The growth and expansion of this “form of exchange”, towards the state or otherwise, depends on the functioning nature of the institutional order, particularly the character of the resource distribution system. The more monopolistic and state centred the system is, the greater the exchange tendencies towards the state and vice versa. Second, the effect of corruption goes beyond the minimalist view of theft and misuse of public money, to encompass inflated contracts, distorted development policy priorities, increased exploitation and inequality and heightened uncertainties and insecurities.

Therefore, it is possible to see corruption not necessarily as personal moral decay, but as a structural pathology. It is part of institutional processes of state creation and recreation. In other words, in modern state systems, and in the globalization processes, corruption is a structural aspect of social exchange adopted as a negotiating instrument for access to state power and economic opportunities. When there are stiff competition and disagreements on the normative principles of social exchange and accessibility to the state and economy, and the state is unable to enforce rational moral behaviour among and between social groups, corruption becomes an instrument for opening up access to the market and state in order to benefit from within, and through them. This implies that, unless we are informed about the character of the institutional context in and through which social conduct and exchanges take place, we will be unable to explain why corruption occurs in the way it does (Haller and Shore, 2005:8). So, understanding corruption and its effect on development requires an understanding of the context in which both are created, negotiated and sustained.

9.3 Institutional Reforms, Corruption and Poverty

As already noted, corruption in Tanzania is, as in most African countries, an institutional pathology resulting from the formation of the colonial and post colonial state and the nature of its involvement in the economy. Broadly, the antecedents of the pathology are to be found in the nature of restructuring of the state and economy and the resultant mode of wealth accumulation. The process not only produced corruption itself, but also created an institutional context which embedded and protected it.

Analysis of institutional development in chapter 4, indicate that, corruption emerged with the colonial reforms and was complicated by the post-independence reaction to those changes. It was a result of more complex reforms which went beyond the process of separating the “public” and “private” spheres in the society in which the two spheres are believed to have existed in fusion prior to colonialism.⁷⁰ It was also more than a transplantation of legal-rational bureaucratic organizations into a supposedly “inhospitable environment”, thereby creating “two morally incompatible publics” and hence severing the “organic umbilical cord” of responsibility and accountability between the state and society.⁷¹ While these may constitute part of the explanation of the phenomenon, this study has revealed one important, but overlooked, part of the explanation: the development of “regressive and syncretistic institutional order” characterised by excessive bureaucratic regulations and weak legal institutions.

We have seen that, from the inception of colonialism, the bureaucracy was developed at the expense of other institutions that are needed in checking its inherent authoritarian and discretionary functioning tendencies: the political representative, legal and civil society institutions. Responding to economic interests, the colonial authorities discouraged development of political (representative) and civil society institutions as a way of suffocating the struggle by indigenous Africans against colonial exploitation. While the same was true for legal institutions, bureaucratic institutions were considered mutable to political and legal resistance due to their inherent discretionary tendencies and functional flexibility that was tantamount to colonial economic and political logic: resource exploitation and accumulation, free from counter political and legal resistance. And legal institutions were introduced as instrument of the colonial officials and their African assistants to enforce compliance with colonial interests and to protect themselves against the aggrieved native population.

The adoption of a “dual administrative system”, consisting of both the regressive bureaucratic institutions of European colonial archetype and protected traditional (native) administration of the colonial Africa, set in motion a development trajectory of regressive and syncretistic institutional order, a breeding ground for corruption. In an attempt to redress some of the legacies of the colonial system, and respond to the demands of the new and poor country, the independent government ended up consolidating the problem. The adoption of the republic constitution in 1962 consolidated executive powers in the political framework equivalent to “imperial presidency”; the abolition of civil organizations outside structures of the state and the only ruling party - TANU/CCM in 1964; the adoption of a single party system in 1965; the adoption of Ujamaa in 1967 and the consequent

⁷⁰ These are ideas advanced by Ekeh (1975:91-93) in his article “*Colonialism and the Two Publics*” in Africa, in which he argued that the experience of colonialism led to the emergence, in postcolonial Africa, of “two publics” instead of one, as in the West: *the primordial public- associated with traditional African societies - with moral values incompatible to those of the civic public* - which is historically associated with the colonial administration and post-colonial institutions, such as the military, the civil service, the police, etc. Furthermore, while in the West, the private and the public realms have a common *moral* foundation in that, what is considered morally wrong in the private realm is also considered morally wrong in the public realm. In Africa, the opposite is the case: *the primordial public is moral and operates on the same moral imperatives as the private realm while the civic public is amoral and lacks the generalized moral imperatives operative in the private realm and in the primordial public*. Therefore, the civic public is characterised by a lack of *moral* linkage with the private realm. Many of Africa's political problems are said to be due to the dialectical relationships between these two.

⁷¹ Ibid; See also Heilman et al, (2000:498) who argued that corruption started with colonialism and the attempt to impose a legal-rational administration. The result was the struggle for the separation of the public and private, with the view of making officials use their positions for public interest. While the legal-rational administration has been the ideal type of organizational structure in the public and private realm in the west, meeting the standard behaviour required in underdeveloped countries like Tanzania is difficult partly due to the incompatible moral foundations and absence of any organic link between the state and society.

nationalization of the major means of production; the abolition of private property rights; the suffocation of individual (private) self-advancement outside the statist economy; the creation of a state-centred resource distribution system; the expansion and entrenchment of bureaucratic institutions into the everyday life of the society; the weakening of legal institutions and their subordination to bureaucratic regulations; and the abolition of local government in 1974 and replacement with a decentralized regional administrative system under the direct control of the central government, were all part of the process of consolidating the problem. This resulted into three main problems which perpetuate corruption and mediate its impact on poverty alleviation.

9.3.1 Existence of Overwhelming Impunity

It is well documented in the legal literature that one of the assumptions behind the legal approach to anti-corruption initiatives is the expected legal cost of corrupt acts, particularly in terms of the legal penalties supplemented by social penalties in the form of “immoral stigmatization” and the isolation of the culprit. The most obvious cost is the risk of getting caught and legally punished. However, the probability of getting caught depends on the effectiveness of the legal system (Treisman, 2000:402) and other accountability mechanisms. In the literature on legal institutionalism, two related aspects are distinguished. First, legal systems differ in the degree of protection and the opportunities for recourse they offer to citizens in general and private property owners, particularly those harmed by corrupt acts of officials. There is an argument that common law systems (found in Britain and its former colonies) differ in this dimension from *civil law systems* (found in continental Europe and its former colonies). Whereas common law was traditionally developed as a defensive mechanism of the parliament (representing both citizens in general and property owners in particular) against attempts by the sovereign (the State) to intrude into and regulate the socio-economic life of society, civil law systems (in Napoleonic, Bismarckian, or other forms) developed more as an instrument used by the sovereign (the State) for its own construction and to control the economic life of the society.⁷² Second, legal systems differ not just in the formulations and intent of the laws but also in the expectations and practices that govern how they are enforced. Therefore, the conceptions of the prospective role of law, as part of the institutional order responsible for preserving the general social order, differ across countries.

It is believed that, while in the common law system, the practices of the ideals of the social order are strongly associated with adherence to laws as, not only a matter of legal procedures, but also as rituals, by contrast, in the civil law system, the practices of the ideals of the social order are more closely associated with respect for the bureaucratic hierarchy and the authority of the political offices. Thus, there is a general belief that differences in colonial and postcolonial reform experiences, particularly those related to the legal systems and other moral enforcement mechanisms are responsible for differential degrees of a country's corruption susceptibility (ibid, 403). Based on the foregoing analysis, it can be argued thus: the lower the risk of exposure (probability of getting

⁷² According to the legal literature, Common law developed from precedents established by judges, usually allied with the property-owning aristocracy against the Crown, while civil law developed from codes drawn up by jurists at the sovereign's bidding. It is hypothesized that the greater protection of property against the state, embodied in the common law systems, improved various aspects of government. Another way in which the common law systems might reduce corruption is through their greater flexibility - legal precedents which incrementally incorporate aspects of customary law, as occurred in various British colonies. The less dissonance that occurs between law and prevailing moral and traditional norms, the greater legitimacy the legal system will tend to have, and the more reliably will the law be enforced and, thus, the greater the likelihood of reducing corruption.

caught) and prospective penalties, the higher the probability of widespread corrupt behaviour.

The history of reforms in Tanzania testifies to this fact (see chapter 7), by painting a picture of the development of a syncretistic institutional order, the characteristics of which promote a low risk of exposure and legal penalties for corruption. The legal system itself is frustrated by bureaucratic regulations and discretion which allow for those involved in corrupt practices to enjoy impunity. Historically, there are rarely any genuine trials of the guilty, nor of effective legal or political measures against those involved in corruption scandals. The impunity is not because of a lack of interest or absence of moral condemnation on the part of society; quite the contrary. Syncretistic institutions create a dilemma of desires for action against corruption because there is always a loop-hole for culprits to avoid being held to account. This has been the dominant feature of the Tanzanian state and its relation with the economy and society.

For example, when the economic crisis hit the country in the late 1970s and early 1980s and later the state withdrew from the economy, the existence of a syncretistic order facilitated the expansion of corrupt and predatory alliances between and among public officials and businessmen, wanting to catch up with the lost years of Ujamaa. Weak legal institutions of protection and excessive bureaucratic regulations provided security for them to contemplate corruption with a sense of impunity. The champions of the post-Ujamaa reforms, led by the Bretton Woods Institutions, construed the escalation of corruption as a consequence of the overly developed state, its excessive regulation of the economy and, the “administration” rather than “the market” being entrusted with the allocation of resources. Therefore, reducing the size of the state through streamlining its structures and the number of employees were seen as appropriate ways of cutting back on the opportunities for corruption on the part of state officials and their allies. But, neither the reduction in the size of the state, nor the increased role of the market and private sector, helped to reduce corruption. Instead, according to Heilman et al., (2000:501), “corruption became rampant and increasingly sophisticated as the relationship between the state and the private sector grew in complexity”. By the mid 1990s, the country “reeked of corruption”,⁷³ which had spiralled out of leadership control, forcing donors to freeze aid to Tanzania.

The failure of these reforms partly reflected a false diagnosis of the problem. The problem was not essentially the size of the state and an administrative allocation of resources. It was mainly the regressive and syncretistic character of the state accompanied by bureaucratic regulations and weak legal foundations of the economy. Moreover, the economic and political reforms in the post-Ujamaa era exacerbated the problem on two accounts: by severing the institutional accountability link between the people and the single party-CCM” and between the government and the Party and; by maintaining an incoherent integrity enforcement system. During Ujamaa, many cases related to abuse of public office were dealt with within the “Single Party and Government” framework (political and administrative control system) rather than legal institutions and processes. It is still common for the ruling party and the government to use political and administrative structures to deal with cases of abuse of official duties and responsibility rather than to allow them be handled by legal processes.⁷⁴ This has created competing accountability

⁷³ In March 1995, the late Mwalimu Julius K. Nyerere, then the highly influential retired first president of the Republic and the most accredited founding father of the nation and the ruling party CCM, accused both the party and government top leaders of allowing corruption to get out of hand and declared that the country “reeked of corruption”.

⁷⁴ For example, in 1996, the Prime Minister dissolved the Dar es Salaam City Council because of its failure to perform its functions. The explanation was that: the city council was beyond repair because of corrupt practices, a failure to collect

enforcement mechanisms and undermines the foundations of accountability (the rule of law), a principle of democratic government. In most cases, the integrity enforcement system is still based on the Ujamaa logic, even though the institutional base for its proper functioning has been destroyed. As a result, it ends up protecting political and administrative interests against legal prosecution.

9.3.2 Moral Circumvention and the Plight of the Poor

One of the impacts of institutional syncretism is the creation of confusion and paralysis which allows a great deal of moral circumvention and corrupt conduct among social groups, with little possibility of holding culprits accountable. In Tanzania, it has been accompanied by the fallacious pretence of perceiving corruption as a morally convenient form of resource negotiation and a coping mechanism under difficult economic conditions. The institutions set for “the war against corruption” enjoy a low profile of public confidence, as much of those “big” political elite and public servants alleged to have been involved in the colossal misappropriation of public resources continue to swim in the order with impunity (Mmuya and Lemoyan, 2009:33). The exclusion of the poor from mainstream production processes and resource flow, and plundering of natural resources as a means of primitive wealth accumulation is tolerated and protected. In general, ethical principles that are supposed to govern the actions of different social groups in situations where there are consequences for others are easily bypassed (Chachage, 2001:8). The concerns of the public and aspirations of the majority are ignored because there are loopholes for justification of almost everything that the government does. Many decisions made by public officials are attempts to balance their interests and those of the public, leading to uncertainty and unpredictable behaviour by public officials. The approach to Land Policy adopted by the government (Table 9.1) is a testimony to this.

Table 9.1: Two Government Initiatives towards Legal and Policy Reforms on Land with Different Motives in 1992-1994

The Context		
The background to the production of the current Land Policy and Laws is the inconsistency in the existing land legislation and escalation of land conflicts and disputes in Tanzania, which became apparent from the early 1980s.		
Approach: Adoption of Two Incoherent Legal and Policy Reforms Initiatives		
	The PCILM	The MLHUD-Committee
1	The President appointed a Presidential Commission of Inquiry into Land Matters (PCILM) to investigate and propose a land policy. <i>This Commission gathered people's views and made recommendations on the basis of those views.</i>	Around the same time, the Ministry of Land, Housing and Urban Development (MLHUD) created its own committee for the same purpose. <i>This committee worked through workshops, seminars and desk-work.</i>
2	The Presidential Commission arose due to the number of complaints received from the public about land	The Ministry was motivated by what it considered to be inconsistencies in the existing outdated land laws, which made it difficult to plan and administer land matters

revenue, misallocated land and rampant embezzlement of public funds. The city council case is an example of central government taking control over local government and establishing lines of accountability, enforced through central administrative agency without legal measures being taken against the officials involved in corrupt practices. Similar political and bureaucratic mechanisms were used in resolving the popular Arumeru-Arusha revolt in 1998 and the CCM party discipline of the mayor and two other councillors over a corruption scandal in the Arusha Municipality in 2007.

	conflicts and litigation.	
3	The Presidential Commission was to look into administrative powers and regulations due to the growing failure of land administration	The Ministerial Committee's concerns were inconsistencies and the lack of clarity in the existing land law which hindered the liberalization policies
4	The PCILM interest was to restructure the land tenure and management through the diversification and democratization of the source of radical titles.	The Ministry wanted pro-liberalization land legislation and to protect smallholders' rights to land from land grabbers, while at the same time responding to the interests of the investors.
5	The PCILM Report Suggested a Framework for New National Land Policy and Law, recommending (among other things) the establishment of a National Land Commission (NLC) and that all land should be divided into National Lands and Village lands and that the President should be divested of the radical title to land.	The proposal of the PCILM was rejected on the ground that it limited the state's access to resources for development projects, including giving it to investors as liberalization policies required. Since it could not accept the Land Commission's proposal, the government hired the Tropical Research & Development, Inc of the USA in 1994 to quickly write a technical report, financed by the World Bank in preparation for the January 1995 policy meeting. It is these American consultants who helped the government come with its own Land Policy. Later, the Land Act was drafted by an Overseas Development Administration Consultant, Professor Patrick MacAuslan, who endorsed excessive bureaucratic control of land again. Only a few aspects of the PCILM Report were taken as supplements.
6	The PCILM Suggestions which were based on people's views and aimed promoting legal processes on land matters by reducing excessive bureaucratic regulations was rejected	The MLHUD Committee's Suggestions which aimed at maintaining bureaucratic interest on access and control over land were accepted.

Source: Chachage (2001) Corruption: Some Reflections on Its Nature; Department of Sociology, September 2001, pages 8-10; The PCILM 1994: Volume I

There are three lessons we can deduce from Table 9.1. First, lesson is related to syncretistic behaviour of the government expressed in terms of adopting two approaches to legal and policy reform initiatives of land which had different motives and represented different interests. Second, we see how the government could bypass a legally appointed (presidential) Land Commission's proposal in favour of a bureaucratically appointed Ministerial Foreign Technical Consultants' Report. Finally, we learn that the government adopted a National Land Policy and Land Acts in line with the Ministerial position rather than the people's views.⁷⁵ The proposed land policy seemed to have ignored the grievances

⁷⁵ The belief that the Report of the Presidential Commission of Inquiry on Land Matters represented the interests and aspirations of the majority poor workers and peasants in rural and urban area, as opposed to the Ministry's appointed bureaucratic Committee, is based on the independence of the Commission and authenticity of the methodology, coverage and arguments. As the Chairman of the Commission (Professor Issa Shivji) explained in the preface of the Report: "I believe I would be expressing the sentiment of all my former colleagues on the Commission when I say...[t]his Report is ...an authentic record of the grievances, complaints, hopes and fears of the sons and daughters of the soil. Never before has such a record been produced in the country. I can say without hesitation that the *Wananchi* were not only the fountains of inspiration to the commission but the ultimate source of major ideas presented...in the language of their daily experience and practical wisdom.[O]ur Report, therefore, is rooted not in some grand theory but in the great wisdom of the people" (URT-PCILM, 1994:xii). The interests presented in the Ministry's Committee Report are well captured by Yoshida (2005:143): "It is clear that the government bureaucracy ...wanted to keep control of land matters under the executive arm. They could not accept the main part of the recommendations of the Presidential Commission, which argued against the intervention of the government in the alienation of land for development purposes or for investors who were approved by the Investment Promotion Centre. In this way the...bureaucracy supported the position of World Bank. It is important to note that, the Commission had refused an offer of the World Bank's financial support for the process of Inquiry on land matters arguing that, it was the responsibility of Tanzanians and that, it was ready to use whatever resources available in the country to accomplish that responsibility without foreign assistance(Interview No. 11).

of the large majority of land users (poor peasants and pastoral communities) expressed through the Commission. No wonder, inadequacies of the Land Policy and Acts resurfaced soon after adoption and called for urgent review.

Similar problems arose in the government approaches to some of corruption scandals. One highly publicized example was the scandal concerning the importation of some 200,000 bags of sub-standard rice and wheat flour in 1992/3, which the Government chemist ruled as being unfit for human consumption⁷⁶. When the government opened a case against the importer, the latter hired the SGS (a pre-shipment inspection firm) to prove its innocence by taking the sample of grain to the TBS (Tanzania Bureau of Standards) for analysis. In establishing a standard for double talk, the following “syncretistic” public statements were made (Table 9.2), leaving a great deal of possible misinterpretations of whether or not the sample proved that the consignment had items unfit for human use. The World Bank (2001:20) described these tendencies as characterised by “frequent policy reversals and overlapping authority”.

Table 9.2: A Case of Syncretistic Approach to Corruption

The SGS vs. TBS analysis Statements on the scandal	
SGS to TBS (Tanzania Bureau of Standards)	“determine its suitability for human consumption.” TBS report: “the results should not be regarded as representative of the quality of any commercial consignment nor be used for any commercial negotiations. The sample has passed all the requirements for self-raising flour and can be used for the intended purpose”.
SGS: “they [TBS] did not clarify if the samples sent to them are fit for human consumption.	In this situation, we are not in a position to issue our report for human consumption.” The TBS press release following the release of 6,000 Metric tons of flour read: “[We] issued a report on the one sample tested to the effect that the sample had ‘passed all the requirements for self-raising flour and can be used for its intended purpose’. The intended use for self-raising flour is baking. Whether or not it is suitable for human consumption is another matter and the TBS did not state this” (!!).

Source: World Bank (2001:2)

So, development processes in Tanzania take place within an order which produces “mixed signals” of morality and normative values to the people it is supposed to influence. No clear roles of institutions can be easily comprehended, including the lines of accountability and other integrity enforcement mechanisms. This results into confusion and paralysis which perpetuate corruption and in turn, are reinforced by it. Furthermore, reforms have resulted in an order in which corruption and poverty occupy different institutional and moral positions in the society. Thus, while both have been historically and rhetorically perceived and condemned as enemies of humanity and development, in practice, corruption has been tolerated as an alternative means of access to the state controlled resources necessary for (among others) the struggle out of poverty. In other words, while reforms seek to alleviate poverty, the same reforms promote contemplation of corruption as a convenient negotiation mechanism for resource accessibility. This tendency towards these two social problems has created a dilemma in the struggle against poverty. The

⁷⁶What is more strange about the scandal is that the case could not continue any further, because five (5) key persons in the case could not testify due to death: (two from the government chemist’s office - including its head and technical standards officer - which produced the findings and ruled the flour and rice unfit for human consumption, two from customs - which issued the company an “indulgence” to store them in an unprotected, “constructive” warehouse; and one health officer from the Temeke Local Government Authority in Dar es salaam where the constructive warehouse was located and which forwarded the samples of the grains to the Government Chemist for investigation.

struggle against corruption is not institutionally and morally linked with that of poverty. Thus, the simultaneity of the two struggles is incompatible and results in the worsening of both problems.

9.4 The Scope and Status of Corruption

Determining the scope and status of corruption is important in ascertaining the severity of the problem and the extent of its impact on poverty alleviation. While doing this in developing countries like Tanzania is a formidable challenge (partly because of the nature of the problem and the difficulty involved in correcting accurate information about it, and the absence of well documented regular assessments), however, a general scope and status of the problem can be drawn through an examination of the available data and reports. The relevant starting point is the Warioba Commission Report of 1996. According to that, by the mid 1990s, corruption had become deeply rooted and widespread in the country.

Distinguishing between petty and top-level corruption, the report argued, the former category had developed in all public sectors and become bothersome to ordinary citizens, while top-level corruption had become the means used by top public servants to accumulate wealth. Corruption had also gone to the extent of flouting or bending laws, rules and regulations in order to serve the interests of rich corruption givers. The report argued that, because of the distortion of the political and social-economic life of the country, corruption may have made the citizens despair that they could receive justice without it, which led them to lose confidence in their leaders who were supposed to protect them against injustice. Corruption had also resulted in disrespect for laws, regulations and procedures, and most leaders never acknowledged it as a grave problem. The report identified the following as the main causes of corruption: erosion of integrity among leaders; administrative laxity and lack of transparency; cumbersome procedures for obtaining public service; problems with administrative laws and regulations; a lack of political will; the emergence of competitive conspicuous consumption; and the closeness of corrupt businessmen and leaders in politics and government (ESRF, 2002:11-12). The report revealed that law enforcement was in a state of paralysis, as the enforcement agencies wined and dined with the corruption architects, leaving ordinary members of the public without reliable legal protection. In the words of the Commission, “cases of justice [were] bent in accordance not of the weight of the evidence but of bribes” (Muganda 1997:2):

Table 9.3: Transparency International’s Corruption Perception Index (1998-2000)

Year	1998	1999	2000
Sample Size	85	99	90
Ranks			
Kenya	74	90	82
Uganda	73	87	80
Tanzania	82	93	77
SSA Countries with “better” scores	10	11	12
SSA Countries with “worse” scores	3	3	3
Raw Score (1=very corrupt; 10=clean)			
Kenya	2.5	2.0	2.1
Uganda	2.6	2.2	2.3
Tanzania	1.9	1.9	2.5
Sub-Saharan Africa	3.5	3.34	2.84

Source: (World Bank 2001:5); **Note:** SSA = Sub-Saharan Africa

To give an indication of the severity of corruption in the country, Transparency International's Corruption Perception Index (CPI)⁷⁷ (Table 9.3) for 2000, ranked Tanzania 77 out of 90 countries sampled, while, in 1999, it was 93 out of 99. Again, in 2003, eight years after the Warioba Report, REPOA conducted an opinion survey to determine the view of the people of the government's performance in combating corruption. The results (Table 9.4) indicated that 50% believed that corruption was increasing and this belief was in all regions.

Table 9.4: Opinions on government performance in combating corruption (%) -2003

	Dar es Salaam			Other towns			Rural areas			Tanzania		
	M	F	T	M	F	T	M	F	T	M	F	T
Corruption is increasing	61	55	60	54	59	55	49	47	49	50	50	50
Corruption is falling	26	29	27	30	22	28	35	26	34	34	27	33
No response	13	15	13	16	19	16	16	27	17	16	24	17
Total	100	99	100	100	100	101	100	100	100	100	101	100

Source: REPOA, 2003:15

Finally, Parliamentary Reports (Hansards), research reports and investigative journalism stories on corruption scandals (Table 9.5) provide a picture of the pervasiveness of corruption. These, according to Hussmann and Mmuya (2007:177), confirm the existence of large-scale corruption and entrenched networks of corruption and state capture, a sign that predatory political and economic elites have taken root in the country since the evidence of their existence was published in the Warioba Report of 1996, endangering the initiatives for promoting economic growth and poverty alleviation.

Table 9.5: The Cumulative Amount of Money Lost Through Some Corrupt and Dubious Deals (2006-2009)

No.	Corruption Scandal	Amount Lost (in Billions of Tanzanian Shillings)	Year
A	The BOT's EPA Scandal	133	2007/08
B	The BOT's Twin Tower Construction Scandal	221	2007/08
C	The BOT's Dubious Insurance Expenditure Scandal	7.3	2007/08
D	Sub-total on BOT Scandal	361.3	2007/08
E	TANESCO Dubious Contracts (IPTL Scandal + The Richmond Scandal)	335.7	2007/08
F	Sub-total TANESCO + BOT Scandal	697	2007/08-2008/9
G	The Military Radar Transaction Scandal	58	By 2006/07
H	The Dubious Mining Contract Scandal	700 (70 per annum)	1998/99-2008/09
I	The MOF Fraud and Tax Exemption Scandal	11.8	2003/04-2006/07

⁷⁷ According to Szeftel (2000:291), the CPI presents an index score which calculates how corrupt each country is *perceived* to be by influential individuals. In most cases, those surveyed fall into one of the following categories: expatriate business executives, business analysts in Europe or the US, US academic experts, top and middle level management in foreign and domestic companies, senior business leaders, expert staff, foreign and domestic business executives. So, they are the perceptions of businessmen, executives, politicians and media correspondents. Thus, it is important to ask who determines the views about what is corruption and what is not. The CPI rankings normally endorse the widespread prejudicial perception that corruption is worst in developing countries. To this extent, the Index reinforces the view that corruption is characteristic of developing countries

J	The NDC Scandal	2	2007/08
K	The MNRT Scandal (Donors Aid Money Missing)	41.6	2008/09
L	The PO-PSM Ghost Employees)	4.48	2007/08
M	Employees' Payments MOEVT (1000 Ghost Employees)	3	2007/08
N	Government Unaccounted Money (CAG Report)	6.8	2007/2008
		976	2008/09
		3,100	2006/07-2007/08
O	Recovered Corrupt Money by PCCB	13.2	2008
P	Unpaid Government Loans by Prominent Politicians	180	2008/09

Source: Corruption Tracker System (CTS) Online Newsletter; Accessed Date: 2009-05-26 09:22:46. **Key:** BOT =Bank of Tanzania; EPA =External Payment Accounts; CAG =Controller and Auditor General; PCCB = Prevention and Combating of Corruption Bureau; MOF= Ministry of finance; NDC= National Development Corporation; MNRT=Ministry of Natural Resources and Tourism; PO-PSM =President's Office and Public Service Management; MHSW= Ministry of Health and Social Welfare; MOEVT= Ministry of Education and Vocational Training

9.5 Impact of Corruption on Poverty Alleviation

9.5.1 Policy-making Distortions

Apart from frequent policy reversals and overlapping authority, pervasive corruption leads to policy distortions which undermine poverty alleviation initiatives. Policy distortions occur as a compromise in social group struggles for state-controlled resources which manifest itself in the form of distortive negotiations of formal rules of the game, predatory alliances and solidarity, adoption of dubious economic contracts and reckless abuse of laws.

(a) Struggles for State-controlled Resources

As discussed in chapter 4, Ujamaa created a monopolistic statist-resource distribution system which imposed limitations on productive resource accessibility to the majority working outside the formal state machinery. Access to resources became organised under the state, while the state organs at different levels emerged as frameworks for access to resources. Other avenues were mutilated, leaving access to and/or association with the state the only means to self-advancement. It also created inequality in terms of social group proximity to the state and resources under its control. At the end of Ujamaa and consequent re-opening of the economy and politics, Tanzania confronted a situation in which, there was a politico-bureaucratic elite who had never been well nurtured in private business and economic activities but who enjoyed access to and control over the State (political) power and economic resources under its control. However, the economic resources they enjoyed began to be taken away in the course of economic liberalization. There was also, a business elite (mainly Asian), who had not been nurtured in politics and public engagement, but who controlled the economy through protected (private) capitalist economic system. In between, there was an emerging middle class elite wanting to benefit from the socio-economic and political changes by exploiting the possible alliances between the above two groups. At the bottom, were workers and peasants struggling for survival in the growing informal service sector and small scale agricultural production.

There are two issues that played a central role in determining the relationship in the production and distribution of resources among the above groups, which has implications for the character of corruption that the country faces today and its impact on policy-making process. First, there was a failure to dismantle the monopolistic resource distribution system as envisioned in the liberalization policies and reform documents. While the economy was opened up, accessibility to resources necessary for engagement in the “opened economy” continued to depend on access to the state. Moreover, the laws provided that access to the state and the resources it controlled could be made through joining political parties - particularly the ruling party, the CCM. The second issue related to the growing tendency of the government to define development in terms of foreign investment. Development became a synonym for “foreign investment”.⁷⁸ The primacy of foreign investment led to the belief that investment without a foreign partner could not be regarded as investment. Therefore, the alliance or partnership between the domestic and foreign businessmen became one of the prerequisites for securing government approval of investment and subsequent access to resources. The result was incarceration of all political and economic players within the logics of Statist-monopolistic resource distribution system, forcing them into alliance against the majority of poor workers and peasants, close to what Mmuya and Lemoyan (2009:40) described derogatorily as “*Ushoga*” (a Kiswahili word which partly refers to indecent cohabitation) manifested through recklessly abusing the law and politico-administrative responsibility for corruptive motives.

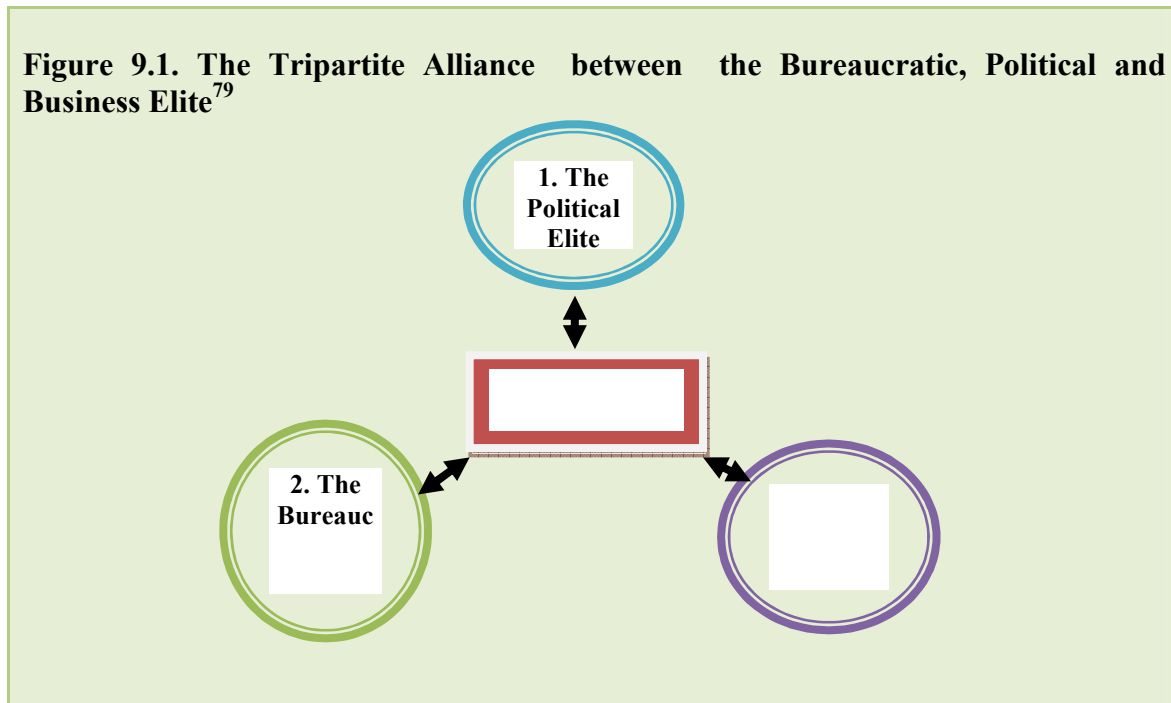
Now, since the politico-bureaucratic elite had control over the state power but lacked economic power; the business elite (particularly Asians) had control of the economy but could not expand due to limited access to resources outside the state system and thus, felt it imperative to gain control over the state without losing economic power; foreign investors did not have enough capital and wanted to get part of it from the state and later have access to resources controlled by it in order to invest in the country; the scramble for access to the state and resources under its protection was inevitable. In this situation, a more effective mechanism for negotiation which could protect their interests and ensure access to and acquisition of new benefits was needed. Corruption appeared to be the only effective means of ensuring equal distribution of the benefits to each group. That is, the politico-bureaucratic elite to continue retaining their political power while engaging in private economic deals; the business elite retain their economic power and enjoyed political prestige which was important for access to resource centres and protection of their business dealings; and the foreign investors to have enough capital through manipulation of state power and access to the centres of resources through partnership with both groups. Corruption became the main instrument of policy negotiation in the market economy.

In the context presented above, the state is the epicentre of the convergence of the interests of the political elite, the administrative elite and the business elite-foreign and domestic. From the institutionalist perspective, the state represents the locus of the “institutional point of unit of interest” (IPUI), which constitutes access to and control of resources, while members of the above mentioned alliance represent the “veto group” organised and protected by the state. In the logic of an institutional order, the three actors link and interlink among themselves through authoritative decision making entities, such as the parliament and local councils, where politics, business and administration of resources converge. For example, Mmuya and Lemoyan (2009:41), in one of their studies of local

⁷⁸ In Tanzania, the encouragement of foreign investment led to the enactment of the National Investment (Promotion and Protection) Act, 1990, and the establishment of the Investment Promotion Centre (IPC) under the President. This government action spurred investors to lease land on a large scale.

governance, found that, at the local authority level, the experience revealed that, while the business elite sponsored entry of the political leadership into the political slot in exchange for the awarding of contracts, the political elite had companies awarded contracts under the guidance of the bureaucratic elite in exchange for payments from construction companies to whom they awarded contracts.

Figure 9.1. The Tripartite Alliance between the Bureaucratic, Political and Business Elite⁷⁹



Source: Adopted with some modification from Mmuya and Lemoyan (2009:42)

(b) Distortion of formal rules of the game

In Tanzania, the logic of corruption, being a negotiation mechanism for political and economic gains, transcends the commodified form of negotiations (De Sardan 1999:36) like overpriced commercial transactions, tax exceptions and monetary payment for access to public (political) office through appointment or voting. It has entered into larger institutional configurations, in which negotiations and bargaining have shifted to negotiations about formal rules of the game. The motive is to legalize the past, present and future corrupt practices of “the veto groups”. In 2000, for example, Parliament enacted the National Elections Act No 4 on gifts and presents, commonly known as “*takrima*”⁸⁰ on the pretence of upholding the traditional African logic of gift-giving and hospitality gestures,

⁷⁹ Warning: We are aware that this kind of diagram is too simplistic to explain and understand the complexities of social phenomenon like corruption. It is not meant to be a complete and accurate depiction of the complexities of corruption exchange, but to simplify and help us understand the central message of the nature of that exchange in a particular context. As we have repeatedly argued, institutional reforms in Tanzania have resulted in the concentration of resources into the State and suffocation of other potential centres of resources outside its institutional framework. While it is true that not all corruptions are mediated through the state, in Tanzanian context, it is equally true that major corruption exchanges that have greater impact on poverty alleviation have always been mediated, directly or indirectly, through State machinery at national or local level. So, the aim is to insist the existence of monopolistic State-resource distribution system which attracts scramble and mediation for resources through the State, than other wise. We acknowledge that, such diagrams however, don’t work for everyone.

⁸⁰ Specifically, *takrima* (a Kiswahili term) referred to traditional hospitality and was used in the context of elections when candidates made offerings to potential voters like handing out t-shirts, food rations and the like. Although the Act was criticised for encouraging corruption in the electoral process and therefore the high court ruled in favour of the petitioners and against the government, given the syncretistic nature of the political system and the weak position occupied by the legal institutions, the practice of *takrima* continued.

which actually legalized corruption. The law acted as a bar against prosecution of the high layers in politics if accused of corrupt conduct (Mwananchi, November 2, 2003), thereby contributing to the erosion of the integrity of the electoral system (Husmann & Mmuya, 2007:175). Thus, the “takrima” law was an illustration of leadership indifference, the government’s intent to accommodate corruption and an example of corrupt negotiation of rules of the political game.

(c) **Predatory Alliances and Solidarity**

Another way in which corruption distorts policy making is through predatory alliances and solidarities of well placed social groups to influence policy process and outcomes. This is characterised by the deepening convergence of the political, public service and economic elite into *mitandao* (networks of informal personal connections) of private accumulation that take place within and outside the state apparatus. The mutual dependencies are organised through negotiation logic, guided by principle of “*kulindana*” (mutual protection against corruption fighters) and “*kutetea masilahi*” (defending interests) based on informal connections, patronage considerations and infiltration of *mitandao*’s interests into policy process. Thus, alongside instances of fierce competition, there exist much solidarity of the privileged veto groups with initiatives for, not only setting off alarms of anti-corruption in society, but also distorting policies and their legal foundations to facilitate exploitation and plundering natural resources (Husmann & Mmuya, 2007: 181; Harsch, 1993:38; De Sardan, 1999:38; World Bank, 2001:17). Since, the formal channels of complaints and other communication are ineffective, the solutions to problems which are supposed to be handled through the formal channels are redirected to *mitandao*, which often work in favour of members of the privileged social groups, who hold higher places in the state and the economy (World Bank, 2001:9).

In his explanation of the nature of the debate and decisions about adopting the National Empowerment Policy and Act in the high government meetings in the early 2000s, one interviewee illustrated the functioning of the *mitandao* and its policy distortive tendencies in the following words:

“You know, when we began the process of preparing the National Economic Empowerment Policy then coordinated by the Prime Minister’s office, there were so many things. Among them, was the question of indigenization particularly on the issue of who should benefit from the remaining un-privatized public property (assets) after many of them were taken by the Asian businessmen in the early phases of the privatization process in the 1990s. It was at that juncture that we had a great task to handle. As you know, almost every Minister has his Indian big business partner! So, when we had discussions on policy issues here in the government, the following day, you could hear an Indian businessmen talking about exactly the same issues we discussed at our meetings. Eeeh! You remain surprised! You see now? But later, we realized that whenever we had a meeting and discussed issues which had implications for the Indian businessmen’s businesses, some of the Ministers went out after the meeting and held another meeting with these businessmen in which they explained what we had just discussed and what the government was planning. They then agreed on the way forward. Thus, when we held another meeting, the same Ministers would come up with new arguments reflecting their private meetings with their business partners”(Interview No.9).

A similar observation regarding the character of *mitandao*, was made by one interviewee during the World Bank research on corruption in the country (World Bank (2001:9). The interviewee reported:

“Each Asian community has a kind of ‘Shadow Parliament’ where one person is in charge of immigration, another of income tax, and another land. This allows them to avoid the middlemen.” The key to corruption in Tanzania is to understand the organogram of each

department. You have to know who controls what so you can pay the right person. It requires an analysis of each organization. I have a friend who was once the General Manager of Tanzania Stationary Manufacturers. The company went bust so they put him on a bench somewhere in the civil service where he used to sit reading newspapers. He got bored of this and decided he wanted to become a DC (District Commissioner). It was very simple; he just figured out the “weak point” in the wall around the Prime Minister. To break through, he figured out who surrounded him, located a person from his home area, and began the negotiations.”

(d) Adoption of Dubious Contracts

Scandals related to dubious contracts (Table 9.5) have become a symbol of corruption and distortion of policy priorities in Tanzania. Contracts are deliberately subjected to irregularities and abuse of laws in favour of the corruption alliance of the “veto group”. They include disrespect for legal procurement procedures, tailoring contract specifications so that the winner is a foregone conclusion, forged certifications of competence of favoured contract bidders, lenience regarding access and control of natural resources to facilitate plunder, administratively dictated tax exemption, negotiations for contracts taking place under pressure from political leaders or government officials, over pricing of construction tenders to be paid by the government, investing in large and ill-prioritized projects with a primary interest of earning rents, and several acts of diverting national resources from public use to private ends (Muganda, 1997:5; Cooksey, 2005:9; Hussmann & Mmuya, 2007: 178; World Bank, 2001:17).

These scandals have, at different times, triggered anger among Tanzanians and provoke racial and religious comments, which are suppressed not by providing solutions but by ignoring or mobilizing political bias against those sentiments. Two examples illustrate the tendency. The first is the Loliondo Scandal,⁸¹ which upset people, forcing them to resort to provocative comments against the government and on matters related to race. The following quotation testifies to this:

“You see God created Tanganyika to be the mother of the children called Tanganyikans. And she was given to us to take care of us...But the country is on sale: They are selling the land. What about Loliondo, the game parks, everything? They are selling everything and they say I am an instigator and what have you. They are sick. They are selling everything, all the diamonds are going. The elephants, we had 300,000 at independence. No one should point a finger at the British, because they left us with everything intact. Now we have got about 8,000 left from 300,000 elephants. Everything is finished and we know who is finishing it. It is these people who are coming for elephants not coming to our country because we are friends (*Angered Reverend Mtikila's views re-quoted in Hussmann & Mmuya 2007: 178*).

Despite such negative sentiments, nothing was done to solve the problem; instead, corruption associated with embezzlement of public resources and plunder of natural resources increased. Allegations of corruption involving the political and business elites, locally and with connections internationally, continued to be the theme of the daily news reports. The political elite and public servants who were alleged of misappropriation of public resources were never convicted (Mmuya and Lemoyan, 2009:33). In 2009, this

⁸¹ Loliondo is part of a game reserve on the slopes of Mount Kilimanjaro, in northern Tanzania. In circumstances that have never been fully explained by the government, foreign hunters and collectors of game were given a free hand to do whatever they desired in a wide track of land in Loliondo. According to Hussmann and Mmuya (2007:178), transport planes from the Arab world would land in the middle of the night at Kilimanjaro International Airport, bringing hunters, and also spiriting away valuable game which is a national resource.

provoked the Catholic Church (later supported by other churches) which issued a controversial Pastoral Letter accompanied by an “electoral manifesto”, stressing the dire need to revive the Ujamaa ethical principles in order to apprehend leadership immorality, resource exploitation, inequality and corruption, which according to the Church, were the real causes of *umaskini* (poverty). The Pastoral Letter and the Manifesto were meant to guide people on the issues to take into account during the 2010 general elections. The Church claimed that, ethics is its vision in leadership and development and its essence is man himself created by God. The purpose of economic activities and politics is man, it argued. The Church argued that, one of the gifts brought by Ujamaa, which created the foundation of Tanzanian culture and which continues to be accepted by the majority of people, includes unity, solidarity, mutual understanding (peaceful co-existence) and a vision of a nation as a family (*familyhood*). These gifts, according to the Church, conform to the vision of the Church and their conception goes beyond political ideology. While it is true that Ujamaa, like any other socio-economic system, had negative and positive consequences, the Church argued, the decisions to change the system and abandon everything brought by it was wrong. The consequence has been the adoption of narrow focused reforms in a few economic sectors with a greater propensity towards direct monetary earnings. This has led to the exclusion of the majority of citizens from the mainstream economy, growing inequality and impoverishment (CPT, 2009:1-2). Therefore, as the CTS Newsletter of 2009 observed, having prepared against the opposition parties, the ruling party (CCM) and its government, all of a sudden, found itself faced with an ‘enemy’ (the Church) they had never considered. All of these controversies have resulted from the erosion of leadership morality and widespread corruption, which the Church believed to be handiwork of the government.

9.5.2 Diversion and Mismanagement of Productive Resources

Resource mismanagement based on corrupt motives results in diversion of public resources and government revenue away from socio-economic activities done mainly by the poor towards private corrupt self-enrichment deals of the higher public officials and big businessmen. This narrows the flow of resources into the poverty alleviation initiatives and diminishes the government’s capacity to support poverty alleviation programmes. The impact of corruption on poverty can be depicted when a comparison is made between annual government budgets and the specific expenditure set for priority areas, and the amount of money lost through corrupt and dubious contracts. For example, in 2007/08, while the government budget (Table 9.6) was 6,067 billion shillings, the money lost through corruption stood at 783.28 billion, equivalent to 13% of the total budget. This amount lost on corruption was twice that set for the Water and Agricultural sector (5.1% and 6.2% respectively) and more than the budget for the health and infrastructure sectors (10% and 12.8% respectively). It was only 5% lower than that of the education sector (18%). An analysis of the Bank of Tanzania (BOT) and the Tanzania Power Supply Company (TANESCO) corruption scandals alone (Table 5) amounted to 697 billion shillings. In that year, the government estimated the costs of building a classroom block at 7 million shillings and the starting monthly salary for a primary school teacher was 120,000 shillings. Thus, the 697 billion shillings could have built 142 primary schools and paid the salaries of 6,800 primary school teachers per year.⁸² Astonishingly, in 2008/09,

⁸² The information was retrieved from the Corruption Tracker System (CTS) website on January 10, 2010; 19:20. The CTS is managed by Agenda Participation 2000, a Tanzanian non-governmental organisation working to promote a culture of Good Governance and Democracy in Tanzania, a unique civil society initiative in the fight against corruption. The purpose of CTS is to keep track of the publicly available information on presumed or confirmed cases of corruption in order to increase accountability and responsiveness in the fight against corruption.

the government lost about 1,210.8 billion shillings (Table 9.6), equivalent to 16.8% of the annual government budget (7,216 billion shillings). This was almost half of the government budget set for development purposes.

The picture we get from the above analysis is that, the failure to achieve poverty alleviation objectives is partly due to the fact that a large part of the resources allocated to meet national priorities are diverted into private self-enrichment deals by corrupt public officials.

Table 9.6: Government Budget in billions of TShs between the 2007 and 2008 financial years

	2007/08	2008/09
Total Expenditure	(6,067)100%	(7,216)100%
Recurrent	(3,866)63.7%	(4,727)65.5%
Development	(2,201)36.3%	(2,489)34.5%
Key Priority Sectors		
Education	(1,086)18%	(1,430)19.8%
Roads/Infrastructure	(777.2)12.8%	(973.3)13.5%
Health	(589.9)10%	(803.8) 11.1%
Agriculture	(379.6) 6.2%	(460.0) 6.4%
Water	(309.1)5.1%	(230.6) 3.2%
Money Lost through Corruption*	(783.28)12.9%	(1,210.8)16.8%

Source: Government Budget Speeches for 2007/08 and 2008/09. * For more information see Table 7

There has also been concern about the ways in which natural resources are managed, with the current reforms pushing the poor away from the resources they depend on for survival in favour of domestic and foreign investors. In other cases, natural resources are exploited at the expense government revenue with little benefit to local communities in areas of resources extraction. Mineral extraction is an obvious case in point (Table 9.7). There has been public outcry about the dubious mineral contracts authorised by government and the ways in which minerals have been exploited at the expense of government revenue and local community development, which forced the President in 2008 to appoint a committee to look into the matter.

Table 9.7: Some Aspects of Inquiry and Observations/Arguments made by the PCRAGMMS-2008

No.	Aspect of Inquiry	Observations/Arguments
1.	Mineral Policy of 1997	The government has used fiscal incentives as a means of attracting investors to the mineral sector but has been too generous, thus depriving itself of income. There is no strategy in the mineral policy to ensure that income generated from minerals is invested in sustainable activities for the benefit of future generations.
2.	Small-scale Mining	The Primary mining Licences do not allow Tanzanians to form joint ventures with non-Tanzanians, thus denying them the opportunity to get the capital and technology required to carry out mining operations.
3.	Authority for the Minister to enter into Agreements	The Act gives the Minister responsible for mining the authority to enter into agreements without prior consultation with other Government authorities
4.	Compensation Issues	The Act is silent on compensation for those relocated in order to allow mining operations to proceed. This is a source of inconvenience for the

		people who are relocated.
5.	Charging of Royalty	The government loses revenue by charging royalties on the basis of netback value. The current royalty rates are very low.
6.	Tax exceptions	Government loses huge revenue due to the exemption of excise duty on fuel
7.	Mining Agreements	Lack of transparency in Agreements entered into between the Government and investors creates the perception of corruption.
8.	Corporate Social Responsibility	Mining companies' contribution to the local communities is negligible to the extent that the local communities do not appreciate the existence of large scale mines in their localities.

Source: The PCRAMMS (2008): pp 7, 10-13, 14 and 30

The committee, using very diplomatic language, confirmed that, while the government willingly entered into agreements with foreign mining companies after formulating and promulgating attractive incentive packages, mainly through generous tax exceptions and very low royalty rates, it ended up depriving itself of income (URT, 2008:38-39). The committee confirmed that the local community and the public in general expressed their bitterness about how they saw the mineral resources being exploited and their lives impoverished largely for the benefit of foreign investors.

9.5.3 Weak Institutions of Protection and Declining Public Trust

(a) Weak Institutions of Protection

One role of institutions, such as laws and regulations governing resource allocation, is to ensure retention by those with the right to ownership, whether customary or otherwise. Corruption weakens the institutions of protection and the retention of resources, particularly for the poor, who have no capacity to defend rights in the system afflicted by corruption. Furthermore, in weak legal processes and excessive bureaucratic regulations and discretions, corruption makes all resources legally owned or otherwise negotiable in the market. For the poor, this corruption induced negotiability erodes the security of the resources they own and subjects them to uncertainties about their future economic engagement. This problem is illustrated by the opinions of the following interviewee:

“Listen! It is these government officials who sell our land to investors as a way of increasing their earnings and that of their family members. Because they have several meetings in which these honourables...the Councillors, village and ward executive officers, council officials, Members of parliament and even higher government officials, particularly those from the Ministry of Land sit with those rich people who want our resources and then they negotiate and the public officials are paid by those rich people handsomely. Now, the moment these officials receive that money, they become very bitter to their people. And you wonder why that leader is so bitter? Later, you realize that his bitterness is because he doesn't want people to find out that he has been paid a lot of money by those rich people and is at that time looking for land to sell. Therefore, it is these government leaders who cause all these problems. For example, in Morogoro, there is a rich white man who bought a huge piece of land which, in fact, was enough for his business, but because of his lust and antipathy he decided to add another portion of land belonging to a livestock keeper who had 200 cows on it. As a result, that rich white man decided to use his money by contacting the higher government officials. Surprisingly those officials, without even investigating the truth of the matter, sent armed police to arrest the livestock keeper, accusing him of excessive possession of cows against the government's instruction on modern livestock keeping methods which demand livestock keepers to have few cows. They also accused him of causing a disturbance to the investor. So, they arrested him and his cows. Later, the officials auctioned off those cows very cheaply,

without his consent. They also charged him for those two accusations. Now, with this kind of government behaviour, can you really say that your property is safe? Eeeh? Do you think this poverty and land conflict you are talking about will disappear in this country? Or do you think our children will find land still available in future? No, I don't think so! The only thing you can expect is that it is the children of these officials who will have access to land, as they continue to enrich themselves, together with their families. We have a lot of examples of similar cases of land grabbing from the poor and land conflicts in the regions of Tanga, Morogoro, Iringa and Dodoma. Everywhere..!" (Interview No. 10)

(b) Declining Public Trust

As argued in chapter 8, in order for social groups to co-operate among themselves and with the government in a sense of civic responsibility and commitment, a minimum level of integrity to ensure public trust must prevail. It is even more important for the government to maintain a level of trust if it is to influence successfully, the behaviour of the people it governs and direct them towards a desired development path. It is even more important in developing countries like Tanzania, where the historical circumstances have left the government as the only influential institution to effect collective development engagement. However, integrity and trust are not natural behavioural tendencies. They are socially constructed through institutional orientations, just like corruption. In an institutional order that promote corrupt behaviour, particularly to public and government officials, levels of integrity diminish, leading to a weak community feeling and declining public trust. Attitudes towards government are part of the indicators of public trust and the likelihood of people effectively supporting its initiatives. In Tanzania, corruption has been undermining public confidence in the government, which has negative implications for its struggle against poverty, as the opinions of an interviewee above suggest.

Another indicator of the declining public trust is people's subjective evaluation of the government's performance. A comparison between the 2006, 2007 and 2008 Opinion polls (Table 9.8) on government performance, particularly its major organs-Cabinet and Parliament - indicate a declining rate of respondents who reported having being "very satisfied", while who reported being "fairly satisfied" increased, as did those "not satisfied". For example, while the rate of being very satisfied with performance of parliament decreased by 10%, from 39.2% in 2006 to 21.8% in 2007, that of being "not satisfied" increased by 14%, from 11.3% in 2006 to 25% in 2007. The rate of being very satisfied increased by 11%, from 21.8% in 2007, to 32.7% in 2008. This was partly due to the uncovering of a corruption scandal mainly by opposition members of parliament which led to the resignation of the Prime Minister and two cabinet ministers on what is known as the "Richmond Corruption Scandal".⁸³ It was during this period that Dubious Mining contracts were unearthed and the BOT three big corruption scandals (Table 9.7) were raised by members of parliament. However, while Parliament managed to restore public trust mainly by uncovering government corruption scandals, the Cabinet continued to lose its trust. For example, the rate of being "very satisfied" with its performance fell by 14% between 2006 and 2007, and fell further by 2.1% between 2007 and 2008. The rate of being "not satisfied" increased by 10% between 2006 and 2007 and by 0.8% between 2007 and 2008. The lower rate of increase of unsatisfied respondents reflected partly the positive image created by the resignation of the corrupt cabinet ministers mentioned above.

⁸³ On February 7th 2008, the former Prime Minister, Mr Edward Lowassa, and the two former ministers for Energy and Minerals, Dr Ibrahim Msabaha and Mr Nazir Karamagi resigned after the Parliamentary select committee chaired by the Kyela Member of Parliament (CCM), Dr Harrison Mwakyembe, accused them of complicity in the dubious 172 million US dollars (over 172 billion shillings) Richmond emergency power supply contract.

Table 9.8: Comparison of Oppinion Poll Results on the Performance of the Cabinet and Parliament in 2006, 2007 and 2008

Institution	Very Satisfied	Fairly Satisfied	Not Satisfied	Don't Know	Total
The Cabinet					
October 2006	33.8(434)	37.9(490)	9.2(119)	19.1(247)	100(1294)
October 2007	20.2(262)	41.4(536)	19.2(249)	19.2(248)	100(1295)
October 2008	18.1(234)	45.7(590)	20.0(259)	16.2(209)	100(1292)
Parliament					
October 2006	39.2(503)	40.5(519)	11.3(145)	9.1(116)	100(1283)
October 2007	21.8(282)	42.5(550)	25.0(324)	10.8(139)	100(1295)
October 2008	32.7(422)	44.7(577)	13.2(171)	9.4(122)	100(1292)

Source: REDET: Citizens' Opinion Polls on the Government Performance; No.13, October 2006; No.14, October 2007; and No.15, Nov. 2008

As Table 9.9 indicates, one of the main reasons for being “fairly” or “not” satisfied with the performance of government was its involvement in corruption, which increased by 5 % from 24% in 2007 to 29% in 2008. Other reasons included being unable to follow-up the implementation and authorization of dubious mining contracts. If we take authorization of a dubious mining contract as a form of corruption then, in general, corruption becomes the main reason for the declining public trust with an increase of 5%, from 34% in 2007 to 39% in 2008.

Table 9.9: Reasons for Being “Fairly” or “Not” Satisfied with the Performance of the government in Power in 2007 and 2008

Reasons	2007	2008
	% and No. of Respondents	% and No. of Respondents
It does not follow-up on implementation	32.7(424)	30.7(396)
It is involved in corruption	24.0(312)	29.0(375)
It authorises dubious Mining Contracts	10.9(141)	10.0(129)
It does not offer/give Credits/Loans	7.6(98)	11.8(152)
Does not raise Salaries for Workers	5.1(66)	2.2(28)
Don't Know	3.2(41)	3.5(45)
Others	16.5(214)	12.8(155)
Total	100(1296)	100(1280)

Source: REDET: Citizens' Opinion Polls on the Government Performance; No.14, October 2007; and No.15, Nov. 2008

9.6 Conclusion

The picture that emerges from the analysis is one of pervasive corruption and existence of an institutional order which provides conditions for it to flourish. Access to productive resources is not only difficult and limited, but also uncertain. The amount of money lost in corruption, the widespread policy distortions and the weakening public trust on government institutions, the controversial normative and ethical positions of the two problems, suggest that government's sponsored and guided collective initiatives against poverty are highly undermined by corruption. Furthermore, the continued concentration of resources in the state, or access to it through the state machinery suggest that state-centred

corruption will remain the main form of corruption for years to come and thus, a threat to public trust and capacity of state institutions to effect poverty alleviation.

The chapter has also revealed the importance of historical institutional analysis, particularly the gradual institutional change perspective, in explaining not only the impact of institutions on the actions and behaviour of the actors, but also the dynamic interaction between the two. As discussed in chapter 2, it is argued that institutional arrangements have distributional consequences which result in the concentration of resources in a particular kind of actor and not in others and that create opportunities for some kind of innovation and justification for the actions of the political actors as well. Thus, institutional change partly occurs as an outcome of resource distributional conflicts or when problems of rule interpretation and enforcement open up space for the actors to implement the existing rules in new ways. In the Tanzanian case, two lessons can be drawn. First, the concentration of resources in the state has triggered struggle among different actors not only over access to the state, but also over influencing the institutional reforms in their favour. The adoption of dubious acts and contracts, like those in the mining sector, illustrates this point. Second, institutional syncretism and ethical duality have provided an opportunity for multiple rule interpretations and distortions which, for example at one point, justified the abandonment of “the ujamaa leadership code” and the adoption of a controversial “takrima law” which favoured those with control over the resources.

This supports the idea that, while institutions do limit the actions of the political actors, their internal functional properties may provide opportunities for different change agents and their associated strategies for institutional change.

PART FOUR



Summary and Conclusion

Chapter 10

Summary and Conclusion

10.1 Introduction

This study examined critically institutional reforms in Tanzania. The principle focus was on how the mode of reforms and the character of the resultant institutions impacted on the government and citizens' struggles against poverty and inequality. The focus was on the ways in which such reforms influenced the organization of production; accessibility to productive resources; public resource control and management; socio-economic security; and participation in socio-economic development and poverty alleviation initiatives.

The study demonstrated the impact of reforms on poverty alleviation, showing how the character of reforms and institutions account for the failure of the country to promote sustainable development and poverty alleviation. This final chapter presents a summary of the findings, discusses the contributions of the thesis, makes an evaluation of methodology used and finally provides a conclusion. It consists of five sections: (1) summary of the findings; (2) implications of the findings for practice; (3) theoretical contributions; (4) methodological evaluation; and (5) conclusion.

10.2 Summary of the key findings

(a) The Colonial Mode of Institutional Reform

The colonial mode of reforms was characterized by disruption of the normative principles of Tanzanian customary institutions and imposition of partial and distorted Western institutions. That is, while in their *physical* sense they resembled those of modern western institutions, their functioning logics were contrary to socio-economic and political settings of Western society. Since the original functions of these institutions-which in the Western context sought to promote the producers' autonomy and protection from undue interferences of the state-could not serve the colonial purpose, they were to be reversed. The reversal fitted well with the logics of colonialism because, its purpose was to enforce compliance of the Africans to colonial interests and limit the mechanisms for advancing grievances against the system.

The consequence of this was the distortion of the foundation of the Tanzanian modern institutions which in turn, inculcated into the minds of the people, distrust and negative feelings against the functions of these institutions which were transmitted to future generations. At independence, the same institutions were adopted to serve the society while still distorted. This distortion had great impact on the process of construction of the post-colonial state and its capacity to organize production and mobilize collective initiatives.

(b) The Character of the Colonial Institutional Order

The colonial rule established the first modern institutions in Tanzania characterized by: institutional syncretism; highly centralized administrative system with widely unchecked power and arbitrary use of authority; weak political representation and social welfare institutions; incoherent dual legal system fused with, and subordinated to, administrative

system; discriminatory and incoherent dual system of morality and justice and; creation of “state landlordism” with the fusion of sovereignty and property into the State under administrative regulations.

The result of this was the creation of dual institutional order (the modern and traditional) serving two different societies: the modern for non-Africans and traditional for Africans. This led to leadership syncretism (a duality of response on the part of leaders caught between the competing logics of institutions and needs of the modern and traditional society). There was also development disequilibrium between administrative and economic institutions, and legal, political and social institutions. Throughout colonial period, development of administrative and economic institutions dominated those in legal, social and political sphere. In terms of social group relations, there was differentiation of social status based on differentiated institutional positions. Specifically, colonial reforms separated the political, economic and social status and allegiance of Africans and non-Africans. Those within the modern institutions (mostly non-Africans) occupied higher social status than those in traditional institutions (the Africans).

The most notable character of colonial system was the subjection of legal institutions and customary laws to administrative authorities and regulations. This created differentiated legal procedures and morality. The superior one based on modern legal system and the inferior, guided by customary law. The customary law was accepted in so far as it was not repugnant to conceptions of humanity, justice and morality defined in modern legal system terms. The reforms also initiated the bureaucratization of economic production which marked the beginning of bureaucratic model of economic organization in Tanzania.

(c) The Ujamaa Mode of Institutional Reform

One challenge faced by the leaders after independence was to redefine the role of modern institutions. While customary institutions were considered legitimate, the leaders believed that their decentralized and separatist tendencies could create ethnic factionalism and act as a disincentive for numerous and diverse tribal groups to remain loyal to the nation. This was seen as a constraint to the needs of national building and creation of Ujamaa society. Although modern institutions were seen as important for creating modern economy and politics, their inherent logic of competitive capitalism, private wealth accumulation and the peoples’ negative feelings against their functions were considered a threat to Ujamaa.

To resolve this tension, a mode of reforms based on transposition, codification and unification of diverse institutions was adopted. This resulted into the creation of “a hybrid-tripartite system” reflective of the country’s diverse customary and modern (western) institutions, which however, co-existed uneasily.

The transposition of customary institutions was accompanied by reinforcement of anti-Capitalist “state of mind” and creation of pro-Ujamaa “state mind” among people which could support Ujamaa principles. As a measure against capitalist exploitation, various institutions were adopted to restrict socio-economic practices which supported capitalist tendencies. Most of capitalist institutions, which were part of the modern economy and politics, were transformed into Ujamaa institutions or allowed to operate under strict control of the State or abolished altogether.

(d) The Character of the Ujamaa Institutional Order

Ujamaa institutional order was created to provide a model of public economic accumulation, which could insulate society from ruthless capitalist exploitation and its consequent inequality and socio-economic insecurity as a pre-condition for poverty alleviation. Paradoxically, the prevention of Tanzanians from becoming capitalists and exploiters of their fellow citizens and inculcation of negative attitudes and distrust on capitalist oriented institutions was selective. While some capitalist (private) economic activities were prohibited in the large part of rural areas and in subsistence agriculture, they were allowed in enclave cash-crop regions, urban big commercial business sector and parastatal sector under bureaucratic regulations. This resulted into the creation of a bureaucratic model of organization of production characterized by:

First, *ethical duality*: the existence of vague ideological postures containing egalitarian ideals and goals along with the ideals of capitalist private accumulation- a creation of “*Ujamaa embedded capitalism*” as protected capitalism. Thus, while the rhetoric of Ujamaa, together with its institutions such as the leadership code of ethics, prevented the reorganization of the legal instruments of the state for accumulation, its ethical duality and institutional weakness provided opportunities for private accumulation and for public officials to contemplate the validity of the policies related to private property ownership and enterprise.

Second, *state-centred resource distribution system*: the limitation of accumulation through private production and concentration of wealth in the state meant that, wealth accumulation depended upon the mobilization of privileged connection with the State. The model was presented as “public resource accumulation” for collective responsibility and communal benefits and it was characterized by accessibility and production without ownership of both the means of production and the surplus of the produce of labour. This in turn induced what can be called “negative development”. That is, a production without organic self-sustainable wealth accumulation necessary for maintenance of socio-economic security and independence that is self-regulated by what the community enables each individual to afford. Therefore, the model tended to concentrate on state interests while undermining the benefits of the producers. The allocation of resources and re-distribution of the benefits of production were dictated by the bureaucrats at the national level who allocated them according to national and not local priorities. This bureaucratic control of production undermined the commitment of producers to engage in production and invigorated their negative feelings against the bureaucracy and other state institutions. As a result, the organization of production through this model ended up limiting private and collective development commitment and perpetuating poverty, inequality and insecurity.

Third, *disintegration of the ‘traditional’ peasant economy from a ‘modern’ market economy*: state-directed development undermined competitive private peasant based accumulation in favour of state-based accumulation. This state-regulated model of accumulation limited peasants’ ability to transform their economic activities into modern market economy and perpetuated the same evils that it sought to undo-poverty, inequality and insecurity.

Last, *a subordination of legal institutions to administrative regulations*. In order to limit challenges against “state-directed development” a centralized system of advancing grievances was established through a single-party structure which limited other alternative

avenues outside that system. There was also establishment of a new system of administration of justice and accountability through political and administrative mechanisms, outside the legal system. This led to bureaucratic regulation and interference of matters supposed to be dealt through legal system, thereby undermining legal institutions and processes of administration of justice and accountability.

(e) The Neo-liberal Mode of Institutional Reform

The mode of reforms adopted in 1980s aimed at addressing Ujamaa institutional inadequacies by adopting capitalist market economy within a neo-liberal institutional order. The mode reinstated market economy and capitalist institutions secretly without addressing distortions which these institutions suffered as a result of colonialism and Ujamaaism. The mode also maintained the ethical duality and developed an enclave policy making system by transferring the role of policy-making from the party and government to a group in private research and policy analysis institutions. There was also a continuation of: alienation of previously excluded groups in formal economic engagement; informalization of socio-economic production; existence of anti-market tendencies; excessive administrative regulations and; weak legal foundation of the market economy. As a result of this, the neo-liberal order, which currently provides a framework for organization of production and poverty alleviation, is characterised by features which undermine anti-poverty initiatives.

(f) The Character of the Neo-Liberal Institutional Order

(i) Institutional Syncretism and Ethical Duality

One key characteristic of the neo-liberal order is institutional syncretism and ethical duality. This is an institutional archetype which is a synthesis and reconciliation of the opposing forces of traditional-ujamaa institutions and modern-capitalist institutions. The result is a form of a system which is neither traditional-ujamaa nor modern-capitalist but an incorporation of both. This situation has resulted into development process based on struggles for accommodation, negotiation and reconciliation of the demands from the contending institutions.

Furthermore, the restoration of capitalist market principles did not significantly alter the Ujamaa institutions, particularly, their informal functioning and ethical standards. The result has been a creation of a normative order consisting of competing *ethical standards of* ujamaa and neo-liberal capitalism. So, values and principles for social actions come from two competing systems-a fluid situation which allows a great deal of personal jousting and bargaining on the part of the actors. The individual actor(s) can respond to a social problem based on modern-capitalist (formal-legal) values and ethical standards in a given circumstance and, at the same time, respond to the same problem using traditional-ujamaa (informal) values and ethical standards depending on the changing circumstances.

In terms of leadership, an individual leader can respond to the poor (or actors in the informal sector) in one way for a given social problem and address the rich (or those in the formal-legal sector) regarding the same problem in another manner. This phenomenon promotes a duality of response to social problems which creates uncertainty, confusion and less understanding of the problems and ways forward. So, for the poor, the situation is often in flux. The new guidelines, principles and practices for poverty alleviation are mixed and not fully understood. The leadership and policies are unpredictable and often

vacillate between extremes of values and principles of ujamaa and capitalism. From the institutionalist perspective, such syncretistic order causes difficulty and uncertainty in decisions, creating conditions for apathy and divided allegiance of people to ethical standards needed for individual and collective development commitment.

(ii) Legal and Administrative Institutional Discrepancy

The findings has shown that, historically, legal institutions were not created or adopted as instruments at the disposal of native Tanzanians in their search for freedom and rights against the colonial state nor to promote access to resources and protection of their well-being. They were adopted as colonial state instruments for control of resources and exploitation. The status of legal institutions was that of an administrative mechanism for rulership-the means for legitimating and enforcing administrative actions for the preservation of the interests of the rulers. As a result of this, legal institutions became secondary in status and inferior to administrative institutions. Moreover, due to distortions of their functioning and oppressive character, legal institutions rendered themselves useless and therefore illegitimate to the majority of people. Despite reforms, the quality of institutions, with respect to a legal and administrative regulatory balance, has never been attained.

The elevation of bureaucratic regulations above legal institutions on development matters institutionalized the domination of bureaucracy and exposed legal institutions to bureaucratic manipulation and inferiority. Due to its inherent nature of multiplicity and volatility, the overriding influence of bureaucratic institutions have inflicted the Tanzania's economic management system with uncertainty and weakened the legal foundations of the market economy. Since major anti-poverty initiatives are based on market economy and on the assumptions of effective legal system, these tendencies remain the main challenge to reformers and policy makers.

(iii) The Dilemma of the Legal Empowerment of the Poor

According to the government, the fight against poverty through legal empowerment of the poor is imperative if it is to be successful and sustainable. The main argument being that, clearly defined and accessible property rights create a better environment for investment that facilitates access to credit and bank loans. But institutional realities of the country do not support this argument.

First, historically, many Tanzanians were denied access and proper orientation to legal institutions including property rights and other commercial services and were exposed to bureaucratic regulations as an alternative. The poor never enjoyed the benefits associated with the modern economic and commercial system. So, legal empowerment-oriented reforms imply, in the first place, a *de facto* advantage to those with greater historical orientation towards its functioning and a disadvantage to the majority who were denied access to it. In this context, private property legislation result into greater exclusive than inclusive effects. Moreover, because of the distortions and inferior position of legal institutions, laws are easily abused and ignored by government officials, even when the country is professing a commitment to making the most of socio-economic activities legal. Second, while contract and other commercial laws are important part of the market economy as they regulate contractual relationships and commitments between individuals involved in the exchange of property, they are rudimentary and have been introduced

recently. The functioning of these laws is unknown, not only to the common citizens, but even to well placed government officials and high ranking politicians.

So, the question here is: how can a person, who has been kept away of these laws or negatively oriented to their functioning be a free and independent party to a contract and carry out contractual obligations properly without breach and consequent loss? It is this situation that makes any attempt to subject the poor to the logics of property rights, contractual relations and associated benefits, disadvantageous.

(iv) The Influence of Informal Institutions and Economy

The overriding influence of informal rather than formal institutions and expansion of an informal economy is another dominant feature of the neo-liberal system. The crucial question then is: Why do most Tanzanians remain under the confines of the informal institutions and less entrenched in the neo-liberal formal (legal) market-oriented order? The findings suggest that the explanation to the problem is found within the historical experiences of the society particularly, the oppressive and regressive character of institutions adopted by the government against operators in the informal economy. The findings reveals that, laws and regulations governing business and property in Tanzania, are so constraining and makes it too difficult and expensive for most people to enter and remain within the formal business system. Thus, people have decided to use informal self-organized institutions that allow them to govern their actions independent of legal system.

(v) The paradox of formal (legal) superiority and inaccessibility

The general belief that, the formal-informal tension is due to the superiority and inaccessibility of the formal (legal) institutions and market principles and that informal sector lagged behind on account of its weak institutional foundation and inability of its actors (the poor) to cope with the untenable legal environment need to be taken with caution.

The findings suggest that the opposite might be the case. That is, although inaccessibility of legal institutions is one of the constraining factors for the disengagement of the poor in the formal (legal) economy, it is probably its illegitimate and less trustworthy status conferred on it by the poor, and consequently its inferiority before informal institutions most trusted and preferred by them, which explains the disengagement. While the government and other development practitioners see the legal system as superior, the poor see it as unreliable. Thus, the inaccessibility of the legal system is artificial and subjective, mainly explained in terms of the *silent strike* and *apathy* on the part of the poor to associate with it and the economy it regulates.

The problem insofar as poverty alleviation is concerned, thus, is not the inability of the poor to access the formal system, but rather, inability of that system to reach the poor and influence their behaviour towards a desired development path.

(vi) The dilemma of the Market Economy

The findings reveal tension between the need to create autonomous private organization through market forces and to maintain directed production through neo-statist regulated market. While the government insists on promoting private sector and market economy, control of resources such as land is still under the bureaucracy. Interestingly, the new

model tries to inject market behaviour and influence production strategies in the economy without reference to historical legacies of the character of organization of production. The peasants long considered passive recipients of bureaucratic directives and told money and capitalism are immoral and sources of evil are now seen as active and autonomous entrepreneurs, customers and consumers. Furthermore, far from being a neutral actor within the market system, the government continues to uphold the *dirigiste* model of statist-organization of production and actively regulating production and marketing processes. With excessive bureaucratic interference in the marketing system, producers have little control of future transactions and are vulnerable to opportunistic manipulations of the marketing system by influential companies and uncertain bureaucratic regulations.

(g) The impact of the Neo-liberal Institutional Order

(i) Marginalization of Rural and Agricultural Sector

An important argument under historical institutionalism is that institutions provide mechanisms for the mobilization of bias. The salient impact of market-oriented reforms in Tanzania has been their tendency to push the poor out of agricultural sector- “a move out of agriculture”, by drawing them into off-farm petty businesses as a way of integrating them into the market economy-biased prioritization in favour of the non-agricultural sectors. There is also an indication that the main logic behind the reforms is to make the poor less dependent on land and agriculture and transform peasant smallholder practices into big commercial production. Since the current poverty alleviation policies are based on market production and business promotion, peasants are institutionally induced to participate in off-farm businesses at the expense of agricultural production. The result of this has been a shift in production and resource allocation, from smallholder agriculture to petty business.

The findings suggest that, a move out of agriculture has a potential for diversification into off-farm sources of income and marginalization of agriculture. While this does not imply that off-farm business production is wrong, it does suggest that, since the majority of the poor live in rural areas and depend on agriculture as the main sector and source of their income, and due to the fact that historically, they have been less acquainted with business and that the existing institutional order work against them, diverting out of agriculture unprepared puts them in the danger of future vulnerability and insecurity.

(ii) Limited Access to Productive Resources

The current anti-poverty initiatives place considerable emphasis on the ownership and access to resources that can be put to productive use and by which the poor can construct their own routes out of poverty. In this respect, poverty alleviation depend, to a large extent, on how the poor are enabled to have access to productive resources to meet the increasing socio-economic needs and to institutions of protection from the loss of the acquired resources and insecurities associated with it. However, the findings reveal that there is limited access to financial resources in the form of credits or loans. The main reason is financial illiteracy resulting from differential exposure to modern financial system associated with the colonial and post-colonial enclave modes of production and biased socialization against the use value of money and financial institutions. Findings further indicate that, the problem of access to credit reflects differential exposure to these institutions based on gendered inequality. The socialization of women to domestic activities and men to economic activities during Ujamaa resulted into more financial

illiteracy among women than men and consequent limited access to resources. This means that, financial institutions were developed to bypass the majority in non-enclave in favour of the few in enclave economies most of whom were men. This resulted into “double exclusion” of women: first as part of the majority poor and second, as a specific gender category.

(iii) Legal and Administrative Constraints

The findings also reveals that, the current laws and regulations governing economic production do not provide people with the necessary mechanisms for attaining high productivity and make it too difficult and expensive to enter and remain within the market system.

(iv) Weak Community Feeling and Declining Public Trust

From historical institutionalist perspective, institutional position determines a person’s attitudes toward the changes requisite for successful socio-economic engagement. The willingness and ability of people to cooperate and collectively engage in activities of public concern depend on shared sense of common feeling over civic responsibility and trust, not only among themselves but also with the institutions responsible for the regulation of collective engagement. The findings suggest that, the reforms have eroded the integrative institutional foundations of Ujamaa, which created a shared identity and common feeling about civic responsibility and trust. The weak community feelings resulting from the fading of the shared sense of social identity, solidarity and equal opportunity to national resources have been coupled with declining public trust or confidence in the formal legal, market and administrative institutions. Since poverty alleviation requires public mobilization, support and commitment, the declining confidence in the integrity of the formal institutions limits their ability to induce the necessary behavioural change on the part of the poor which is required for poverty alleviation.

(v) Discriminatory Social Security System

One key feature of the social security system in Tanzania is its paternalistic and exclusive tendencies. The findings revealed that, the system is characterized by multiplicity of schemes founded on different legal and administrative regulations, catering for different social groups and sectors and using different methods of benefit computation which leads to incoherencies and inequality in distribution of social security benefits. Due to historical legacies of excessive bureaucratic regulation of socio-economic life, social security schemes are highly controlled and regulated by administrative institutions. In terms of the coverage, they cover a very limited proportion of the population and have not reached most of the urban and rural poor. Because they provide inadequate and unequal benefits, they leave most of members in poverty and insecurity when faced with various contingencies. The findings indicate further that, there is incoherence between institutional reforms, anti-poverty initiatives and social security schemes. These weaknesses have reduced social security services into social privileges than rights. Moreover, in conditions where, like in Tanzania, institutions of social protection are weak, processes of informalisation are rapid and potential conditions for incidences of poverty and inequality are high, selective social protection approach perpetuates insecurity.

(vii) Perpetual poverty, inequality and insecurity

The findings on the status of poverty, inequality and insecurity indicate mixed trends. While indicators such as Poverty lines and Gini coefficient show a small decline of income poverty and a mixed trend of inequality others such as unemployment status; income earnings; corruption; the relationship between population growth and the absolute number of individuals who are poor; access to productive resources; entitlements to social income and security; the nature and patterns of resource allocation; national, regional and economic sector prioritization; and social group differential integration into market economy show that, reforms have not brought significant gains in the struggle against income poverty for the majority of the population and have exacerbated inequality. The findings suggest that, what matters are not just the differences and levels of income, but of security of that income. So, the main problem is not only “inequality of income”, but also “inequality of income security” which is a function of the institutional order in which that income is produced and sustained. The findings indicate further that, the character of the neo-liberal institutional order has greater tendencies of perpetuating poverty, inequality and insecurity, thus undermining poverty alleviation initiatives.

(viii) Conflicting normative positions between Corruption and Poverty

The importance of studying corruption in relation to poverty alleviation stem from the belief that, just like poverty, corruption is an institutional pathology resulting mainly from the nature of reforms and the character of the resultant institutions. The nature of their dialectical relationship depends on the functioning character of the institutional order in which they are created and sustained. Thus, understanding the context and nature of reforms is essential for any meaningful analysis of how corruption and poverty interact in a developing country like Tanzania and its implications for development and poverty alleviation.

In our case, the findings indicate that, the reforms have resulted in a system in which corruption and poverty occupy different moral positions. While both have been historically and rhetorically perceived and condemned as the enemies of humanity and development, in practice, corruption has been tolerated as an alternative means for access to state-controlled resources. This is seen as the only means to have access to resources necessary for (among others) the struggle out of poverty. In other words, while on the one hand, the reforms seek to alleviate poverty, on the other, they promote a contemplation of corruption as a convenient resource access negotiation mechanism. This syncretistic moral tendency has created a dilemma in the struggle against poverty. So, reforms have accelerated with corruption and poverty partly because, the struggle against corruption is not institutionally and morally linked with that of poverty.

In general, development processes take place within a system which produces “mixed signals” of morality and normative values to the people it is supposed to influence. Roles of institutions are not easily and clearly comprehended and lines of accountability and other integrity enforcement mechanisms are uncertain. This institutional and moral incompatibility makes the success of the simultaneous struggle against the two problems impossible and poverty alleviation initiatives untenable.

(h) The dilemma of the “war against poverty” approach

There is an interesting observation from the findings in relation to the relevance of the current approach to poverty alleviation. The findings suggest that, from the inception of the war against poverty in the early 1960s, the central concern was not poverty as viewed in the current economic sense, but in terms of socio-economic insecurity. The war against poverty was adopted mainly as a “new reference point of unity” and a political strategy for collective commitment rather than a socio-economic initiative in itself. Since Tanzania was predominantly peasant society, socio-economic security was the paramount principle of organization of production. Struggles for security and survival were part of daily life and social ties within the extended family became important mechanism for security and survival. Adoption of ujamaa villages aimed at establishing universal socio-economic security with emphasis on joint resources utilization to ensure physical survival of members and investment in social relations rather than individual enrichment as basis for socio-economic insurance and security. Thus, poverty was addressed from the point of view of socio-economic insecurity rather than a mere insufficiency of individual income or wealth. This is where the challenge of current reforms for poverty alleviation lies.

While poverty seems to affect specific social groups, socio-economic insecurity goes far beyond the borders of the rich-poor divide. For example, commenting on the relevance and applicability of Individualisation, Titling and Registration (ITR) in Tanzania’s socio-economic realities, the PCILM in the early 1990s observed that security of land ownership associated with ITR (which informs the current MKURABITA) is based on the conception of security “of investments in, and on, land” protected by statutory law which is different from the security “of land itself”, which is protected by customary law. According to the Commission, while poor farmers in villages feared loss of their lands (their main means of livelihood) through various means and mechanisms adopted by the government such as, the alienation of land to outsiders, the acquisition of village lands, the expansion of urban boundaries and reserve lands and titling, these measures did not necessarily provide security against such risks of loss of land for smallholders. As a matter of fact, it insisted that, given the negotiability of the titles, titling further facilitates a loss of land by smallholders (URT, 1994:118). On the other hand, the customary system had considerable security of land rights built in to it and an added advantage of legitimacy in and supervision by the local community. The apparent insecurity of customary holders, the Commission argued, was a result of the systematic administrative practice which relegated customary rights to secondary place, inferior to statutory land rights. But the security provided by the title, particularly to a land holder from outside the village was illusory. The process of land alienation to an outsider in the face of the needs of the villagers generated such hostility that it undermined the security promised by the registered titles (URT, 1994:118)

Discussing the reasons why the majority of the poor confined themselves to the informal economy in the late 1990s, Swantz and Tripp implicitly identified socio-economic security as the main explanatory factor. According to them, the informal economy in the country was the economy of survival, operating along the lines of Karl Polanyi’s “human economy” or Scott’s “moral economy” and Hyden’s “economy of affection”, where reciprocity and mutuality are paramount and the collective ethos is distributive justice. The survival strategies were collective (rather than individual endeavours) and everyone was entitled to subsistence (1996, pp.11-12). Investing in the economy of affection thus, served a dual purpose: it gave value to the most important human relations, and established

wealth as constituting not only the financial status but also the wealth one wielded in accessing the people themselves. At the same time, it helped to create a web of ties that could be drawn on to facilitate one's economic endeavours and served as safety valves that appreciated the many ways in which humanness was expressed (Swantz and Tripp, 1996:13; see also Hyden, 2007:16753) and security maintained. In other words, what they were suggesting was that, investing in one's community and in people themselves reinforced one's identity and socio-economic security.

In the study entitled "Confronting Economic Insecurity in Africa" (2004) under the ILO Socio-economic Security Programme, it was found that: first, there was a close link between poverty and insecurity, with the majority of the poor being more inclined to engage in insecurity prone-activities; second, while income insecurity came close to the notion of poverty as commonly understood, the latter was more static than the former. Income insecurity not only related to the level of income but also to the factors of risk, irregularity and vulnerability surrounding income generation; third, there was still a great sense of social solidarity and less social discrimination; and, fourth, fatalism or passivity were unlikely to be a major impediment to economic development and the attainment of personal income security. Moreover, it was argued that, apart from being a structural problem, poverty was a form of insecurity (Paratian and Dasgupta, 2004).

The findings indicate that socio-economic security still commands a strong recognition as the paramount principle of a good society in the country. The poverty rhetoric that is used in the current initiatives is biased in favour of economic growth and monetarist view of development and undermines attention to institutional aspects insecurity which is equally important. Thus, addressing poverty from a point of view that incorporates these aspects may have greater impact than confining the struggle to the poverty rhetoric alone or by beginning with poverty as a starting point.

10.3 Implications of the findings for practice

(a) Institutional Reforms

The findings indicate that, while reforms and policy changes have taken place and new patterns of behaviour introduced, the functioning logics of institutions central to development and poverty alleviation have not been fundamentally altered and new patterns of behaviour have simply perpetuated it. Specifically, the reforms pursued by the government are inadequate due to misconception of institutional problems and realities of the society. This implies that, the fundamental character of the Tanzanian institutional order need to change before anti-poverty measures can succeed.

(b) Future Research

The findings suggest that, in order to understand the nature, character and outcomes of poverty alleviation the role of institutions within which the initiatives take place is imperative. This study approached the problem through a macro-level institutional analysis of the historical evolution of institutions in Tanzania with particular focus on the mode of institutional reform and the functioning character of the resultant institutional order. Now, a qualitative study is required for micro-level institutional analysis to establish an in-depth understanding of the impact of specific institutions on poverty alleviation in the country. Further, study on the interaction between the legal and bureaucratic institutions and the ways in which that interaction affects people's engagement in development process in the

country is recommended. It is also important to understand the roles of legal and bureaucratic institutions in the organization of production in Tanzania's development context as little is known or their roles are taken for granted. This will shed much light on the nature and character of economic organization and whether they facilitate or inhibit development and poverty alleviation. Historical institutional analysis offers a promising future in social science research by providing new ways of interpreting data and understanding the nature of development of African societies that other approaches might misunderstand or ignore.

10.4 Theoretical Contribution

The findings contributed to historical institutionalism by supporting and shedding new light on it.

First, historical institutionalism believes in the idea of path dependency. The concept of path dependence involves the argument that once institutions are formed, they take on a life of their own and drive socio-economic and political processes. Thus, while there might be other institutional choices, once a country is entrenched on a certain arrangement it becomes difficult to find an easy alternative reversal to initial choices. One of the challenges of the idea of path dependency is to identify an initial institutional choice or the origins from which a path dependent analysis can be established. In Tanzanian case, the findings revealed that, initial institutional choices of modern economic, political and social development began with the imposition of colonialism. So, the possibility of establishing clear initial choices made the use of historical institutionalism more relevant.

Second, historical institutionalists emphasize the idea that once institutions are formed, they take on a life of their own and drive socio-economic and political processes. Because institutions have a logic of their own, they argue, their interaction and development result in consequences unplanned for and unforeseen by actors. Interestingly, the findings confirm that institutions adopted in the country at different periods of time resulted to unplanned consequences which have impacted negatively on poverty alleviation initiatives. Issues such as distrust of formal (legal) institutions, expansion of informalization of socio-economic activities and the dilemma of ethical duality and protected capitalism are some of the examples of such consequences.

Third, the findings support the argument that while external factors matter in institutional reforms their influences depend on support from internal factors and that, the actors respond to external pressure by maneuvering and exploiting opportunities within existing institutional order. A good example was the bureaucrats' use of Ujamaa's ethical duality and protected capitalism to justify neo-liberal (market) reforms.

Last, as noted in the introduction, this was the first study to employ historical institutionalism in understanding the impact of institutional reforms on poverty in a developing and ex-colonial African country. Moreover, in literature there was no any well established historical institutionalist framework for organizing a historical institutional impact analysis. So, in an attempt to translate historical institutional theory into a practical fieldwork guide we established a historical institutional reform impact approach (HIRIA) which we used to analyze the impact of institutional reforms on poverty and inequality in the country. HIRIA was based on three hypothetical arguments. First, that, the prospects for poverty alleviation are affected by the character of the previous institutional order. Second, that, the mode of reforms against poverty affects its subsequent alleviation. And

last, that, the functioning character of resultant institutional order affects poverty alleviation initiatives and outcomes. It also provided a “dual institutional impact analysis”: the contextual institutional impact analysis (CIIA) and instrumental institutional impact analysis (IIIA). The adoption of HIRIA situated the study neatly within the historical-institutionalist school of social research which is historical-context sensitive to a particular country and in which inductive techniques can be employed. It also allowed for the integration of institutions and actors within a framework which made possible the comparative analysis of the reforms at different stages of historical development. At the same time, it provided an opportunity to reflect on the dynamics of the interaction between the institutions and the *actors*. We believe that, this framework is a great contribution to current debates on institutional theory and can be employed on other related case studies which employ historical institutionalism as their theoretical foundation.

10.5 Methodological Evaluation

One principle that underpins poverty analysis is the multidisciplinary of poverty itself. While recognizing that a judicious combination of both qualitative and quantitative methods can help solve problems that are associated with each type of method taken separately, we opted for qualitative methods which was more appropriate for capturing the socio-economic and institutional contexts of poverty alleviation in the country. Quantitative data, from previous researches and surveys on issues related to poverty alleviation, was also used to support qualitative data. This combination proved to be fruitful as it enabled us to establish strong arguments.

In terms of data collection, two methods were used: documentary review as the main method and unstructured interview as a supplementary. Under documentary method, both primary and secondary documents were collected from various sources subject to specific documentary quality assessment criteria and reviewed. After being assured with the quality, the next step was to analyze data from those documents. In this process we used Qualitative Content Analysis Approach (QLCAA) consisting of three interconnected data analysis processes: *data reduction*, *creation of* an “extended data text or data display and conclusion drawing and verification. This method was very useful as it provided rich and in-depth qualitative information on the impact of reforms on poverty alleviation within the deep rooted historical context.

As noted earlier, unstructured interview method was selected as a supplementary method to provide the means for updating, clarifying and verifying some information obtained from documentary method. It also provided us with the opportunity to experience the actual feelings of the key actors in the reform process as well as an exposure to the undocumented discourses used by the actors in describing the processes and interactions. In other words, it was a way of getting inside the reform context than a mere collection of opinions of the actors in the process. Because of the nature of the problem, respondents were drawn from purposively selected research sites using snowball sampling technique which enabled us to have a direct access to key actors in the reform process.

10.6 Conclusion

This study examined critically institutional reforms in Tanzania. The principle focus was on how “the mode of institutional reforms” and “the functional character of the resultant institutional order” impacted on the government and citizens’ struggles against poverty. More precisely, the study aimed at answering the question: Why did institutional reforms

produce disappointing results or at least outcomes which were contrary to those envisioned by international and national development agencies, the government and the donor community? At the end, the study sought to make a critical argument about the reasons for that failure.

The findings suggest that while there have been some positive gains; institutional reforms have affected the government and people's engagement in development initiatives and poverty alleviation. The failures of reforms are a result of misconception, by reformers, of historical institutional problems and realities of the society and therefore, adoption of ill-informed reforms which perpetuate rather than solving problems. More specifically, is the failure to resolve problems associated with issues such as: negative orientation of modern institutions to socio-economic and political life of Tanzanian society; people's recurring negative perception and distrust against government and market institutions; financial illiteracy; excessive bureaucratic organization and regulation of resource allocation and socio-economic activities; weak legal foundation of the market economy; excessive constraints for access to and participation in the formal economy; enclave economic production; and weak political foundation of the war against poverty approach.

While it may seem strange or, at the very least, intellectually ungrateful to think that of all these decades of reforms and analysis of development problems in Tanzania, reformers and researchers fell victims of misconceptions of historical institutional realities, the findings strongly suggest the existence of that problem which constitute part of the main reasons of the failure of various development initiatives. So, *getting institutions right* should not only entail understanding the negative historical realities of the country, but also adopting corrective reforms. This implies that, the fundamental character of the Tanzanian institutional order need to change before anti-poverty measures can succeed.

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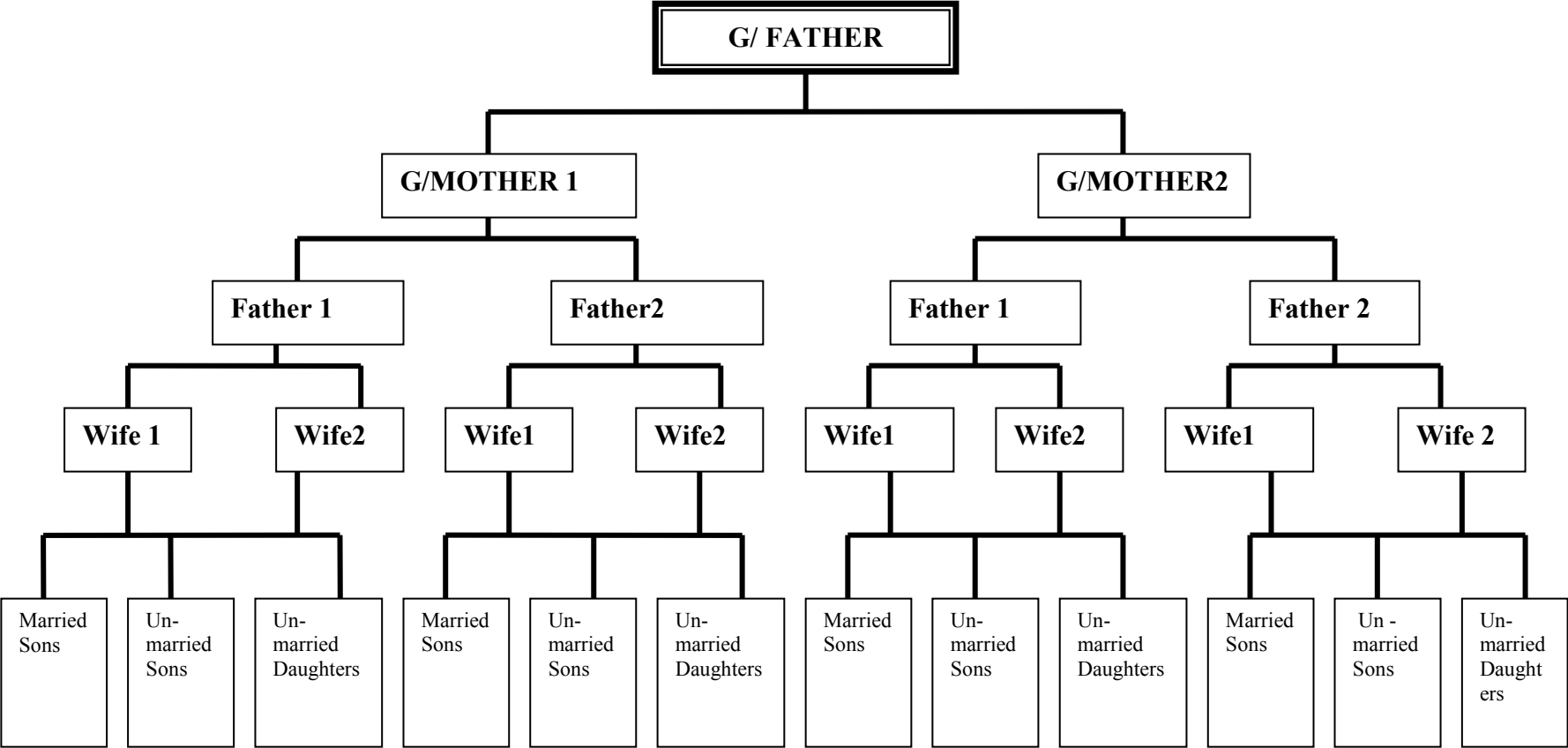
Appendices

Appendix 3A: List of Informed Respondents

Twenty five (25) informed-respondents selected through purposive and snowball sampling techniques.

Interview	Institutions and Respondents
Interview No. 1	Senior Employee: Department of Library and Research Services (The Parliament)
Interview No. 2	Senior Employee: Vice President's Office (VPO)
Interview No. 3	Middle-rank Employee: Poverty Eradication Division-Ministry of Planning, Economy and Empowerment (Ministry of Finance and Economic Affairs)
Interview No. 4	Senior Employee: President's Office Planning Commission
Interview No. 5	Middle-rank Employee: United Nations Development Programme(UNDP)-Tanzania
Interview No. 6	Middle-rank Employee: Presidential Parastatal Sector Reform Commission (PSRC)
Interview No. 7	Councillor: Sumbawanga Town Council (Rukwa Region)
Interview No. 8	Senior Researcher: Research on Poverty Alleviation (REPOA)
Interview No. 9	Senior Employee: National Economic Empowerment Council (NEEC)
Interview No. 10	Farmer: Moshi -Kilimanjaro Region
Interview No. 11	Middle-rank Employee: Vice President's Office (VPO)-PRS
Interview No. 12	Senior Employee: Regional Administration-Kilimanjaro Region
Interview No. 13	Councillor: Kigoma Ujiji Town Council-Kigoma Region
Interview No. 14	Senior Researcher: Economic Research Bureau (ERB)
Interview No. 15	Senior Employee: HAKIARDHI
Interview No. 16	Senior Employee: President's Office -MKURABITA
Interview No. 17	Senior Employee: President's Office Planning Commission
Interview No. 18	Middle-rank Employee: President's Office Public Service Management (PO-PSM)
Interview No. 19	Senior Lecturer: University of Dar es Salaam
Interview No. 20	Senior Employee :National Economic Empowerment Council (NEEC)
Interview No. 21	Central Committee Member: Chama Cha Demokrasia na Maendeleo (CHADEMA)
Interview No. 22	Middle-rank Researcher: HAKIARDHI
Interview No. 23	Middle-rank Employee: The Prevention and Combating of Corruption Bureau (PCCB)
Interview No. 24	Central Committee Member: Chama Cha Mpinduzi (CCM)
Interview No. 25	Senior Employee: President's Office -MKURABITA

Appendix 4A: The Structure of the Extended Family



Appendix 4B: Principles of Social Status in Tanzanian tribal life

Principle of Social Status	Explanation
Gerontocracy	According to this principle, a status of a person had a dynamic quality and developed socially through generation class system. An individual progressed while passing through different stages of life associated with particular social status
Talentocracy/ Exceptionality	A person could also acquire a special status due to his exceptional talents or skills such as blacksmith, rainmaking, supernatural power to bless, heal or curse
Heroism	War warriors and heroes also had their status derived from their ability to defend the society against external enemies
Sex and Marriage	Sex and marriage were other factors determining one's status in the society. Sex for example, determined access to other social generational status. In most cases, exceptional talent status, heroic status and generosity status were directly associated with males than females. Just as being a male or female had implication in terms of one's status in society so was being married or unmarried
Generosity	This was the most respected and highest form of social prestige in the society and it was attained only through one's voluntary acceptance of sharing his wealth with others and less tendency towards individual self-wealth accumulation for personal benefit, power and prestige. It was considered to be the highest moral upright and a symbol of highest level of humanity

Source: Stoger-Eising (2000: 122-123).

Appendix 5A: Trend of Selected Quality Of Life Indicators in Tanzania, 1960-1986

Indicators	Tanzania				Low income sub-Saharan Africa	
	1960	1970	1980	1986	Grouped	1982
A. BASIC INDICATORS						
1. Average life expectancy at birth	35	41	51	54	46 (1975-80)	48
2. Male	32	40	49	50	43 (1975-80)	45
3. Female	38	45	48	58	48 (1975-80)	50
4. Infant mortality rate (IMR)	190	160	137	119	125 (1975-80)	240
B. NUTRITION						
5. %of Children with low birth weight	12	13	13	15	14 (1972-80)	14
6. % of Children suffering from:						
-moderate malnutrition	55	50	48	50	43 (1983-86)	44
-severe malnutrition	8	8	6	7	7 (1983-86)	7
7. Daily per capita calories supply as % of requirement	81	88	89	120	85 (1983-86)	91
C. HEALTH						
8. % of Population with access to drinking water:	20	23	50	45	50 (1983-86)	42
Urban	65	70	80	60	88 (1983-86)	64
Rural	10	15	45	34	39 (1983-86)	14
9. % of Population with access to health services:						
Total	50	70	88	90	76 (1983-86)	74
Urban	60	85	99	100	99 (1983-86)	99
Rural	45	60	80	85	72 (1983-86)	60

Source: Kaijage, Frederick & Tibaijuka, Anna (1996), p.36

Appendix 5B: Trend of Selected Quality Of Life Indicators in Tanzania, 1960-1986

Indicators	Tanzania				Low income sub-Saharan Africa	
	1960	1970	1980	1986	Grouped	1982
10. Health budget as :						
% of GDP (nearest unit)	1	3	2	1	1 (1980)	1
% of government budget	2	6	6	43	3 (1980)	3
D. EDUCATION						
11. Primary school enrolment ratio:						
Gross total	20	33	93	68	65 (1980-86)	64
Male	33	48	93	75	70 (1980-86)	69
Female	18	18	93	67	56 (1980-86)	56
12. Adult Literacy rate	10	15	90	80	43 (1980-86)	44
Male					55 (1980-86)	53
Female					35 (1980-86)	33
13. Education Budget as % of GDP	2	5	2	2	3 (1980-86)	3
E. WOMEN						
14. Enrolment ratio of Females as % of Males:						
Primary School	20	35	48	50	n.a	n.a
Secondary school	10	23	32	38	n.a	n.a
University	5	7	25	14	n.a	n.a
15. Maternal mortality rates	453	463	-	197	260 (1975-80)	250

Source: Kaijage, Frederick & Tibaijuka, Anna (1996), pp.37-38

Appendix 5C: Functional analysis of government budget, 1970-71/1990-91

Year	General Public service	Defence	Education	Health	Social security & welfare services	Housing & Community amenities	Other community social services	Economic services	Other purposes	Total	Total Basic needs*
	1	2	3	4	5	6	7	8	9	10	11
1970-71	20.10	7.05	13.68	6.17	0.47	2.19	2.50	37.98	9.96	100.0	25.01
1971-72	17.06	9.85	14.35	6.02	1.12	1.39	1.78	37.05	11.39	100.0	24.66
1972-73	18.95	9.05	13.29	6.51	0.40	1.17	2.14	36.78	11.71	100.0	23.51
1973-74	16.22	10.72	11.80	6.37	0.44	1.90	1.66	40.37	6.59	100.0	22.17
1974-75	16.05	11.73	12.22	6.87	0.33	1.62	2.09	42.63	6.45	100.0	23.13
1975-76	15.83	12.16	14.10	7.16	0.37	1.84	2.43	36.91	9.21	100.0	25.90
1976-77	17.40	12.27	13.58	7.05	0.24	1.16	2.28	38.02	7.86	100.0	24.31
1977-78	14.99	15.09	14.34	7.23	0.24	0.89	2.04	36.37	8.80	100.0	24.74
1978-79	14.44	24.40	11.64	5.36	0.26	0.88	1.69	32.10	9.22	100.0	19.00
1979-80	16.65	8.70	12.64	5.65	0.41	1.15	2.17	40.74	9.37	100.0	22.02
1980-81	10.47	11.09	12.55	5.61	0.31	1.31	1.21	37.06	12.40	100.0	20.99
1981-82	17.95	12.53	12.47	5.38	0.28	1.03	2.07	29.82	18.49	100.0	21.23
1982-83	17.09	8.06	13.09	5.29	0.31	1.09	2.00	26.99	20.95	100.0	21.78
1983-84	22.02	12.79	11.85	5.46	0.29	0.98	2.05	25.97	18.77	100.0	20.00
1984-85	29.93	13.89	7.29	4.98	0.47	0.98	1.24	24.17	16.06	100.0	15.96
1985-86	26.21	9.09	7.51	4.37	0.38	0.64	1.91	24.29	24.60	100.0	14.81
1986-87	25.50	14.58	6.45	3.66	0.28	0.50	0.50	16.49	32.15	100.0	11.39
1987-88	27.78	10.42	5.44	4.47	0.30	0.91	2.58	16.26	31.84	100.0	13.70
1988-89	26.49	9.06	5.70	4.95	0.32	0.77	2.21	16.83	33.67	100.0	13.95
1989-90	30.90	8.50	7.23	5.00	0.36	0.51	2.68	15.82	29.00	100.0	15.78
1990-91	23.31	6.21	6.95	4.93	0.42	0.58	2.10	22.15	33.35	100.0	14.98

Source: Kaijage, Frederick & Tibaijuka, Anna (1996), p. 50; ♣ Include: agriculture, administration, industries, energy water, transport & tourism; * To get total allocation to basic needs, add column-34567.

Appendix 9A: Anti-Corruption Initiatives in Tanzania (from 1958 to 2007)

Year	Anti-Corruption Initiatives	Explanation and Implication to Public Officials' Ethical Requirement
1958	Prevention of Corruption Ordinance, Cap 400).	The Act was passed by the Legislative Council (LEGCO) to control and stamp out corruption. The Act was a reflection of the fact that corruption was already taking root in the country
1959	Colonial Leadership Rules of 1959	These rules were issued by the Governor of Tanganyika demanding that leaders should not: be directors of commercial enterprises; be employed or in receipt of salaries from trade unions or cooperative unions; involve themselves in businesses which will interfere with their ministerial jobs; use secret information obtained within their positions for their own benefit or that of their friends; should not support any project/plan from which they hope to benefit; should not use their positions to favour people where justice is required; should not take bribes; should not buy shares in companies; and, should not announce news or write books or articles in newspapers while still ministers.
1962	The Republican Constitution of 1962	The Republican Constitution of Tanzania marked the beginning of the presidential system and lay a foundation for "imperial presidency", in that it combined in the president the powers of the head of state and government and shifted the collective and individual responsibility of the higher public officials from the national assembly to the president
	Civil Service Act of 1962 (Cap 509)	In this Act, civil servants were supposed to serve the general public skilfully and diligently. They were supposed to be governed by rules and regulations. They were supposed to be politically impartial and transparent in the execution of their duties. The virtues were to be fairness, integrity, confidentiality and secrecy.
1965	Adoption of One Party system as a "Constitutional Category"	This led to the formation and consolidation of syncretistic "Monoparty politico-administrative accountability" institutional mechanisms. The Party became the hub of the ethical enforcement system in the country
1966	Ombudsman Office--Permanent Commission of Enquiry.	The Ombudsman was adopted as a means to prevent abuse of power by those in authority in the absence of opposition parties. It was created as an institution for both internal and external controls of self-restraint of public officials, with the express aim to safeguard the rights of the people against abuse of power, maladministration and arbitrary decisions.
1967	Adoption of Arusha Declaration and A Leadership Code	A Leadership Code was introduced specifying conflict of interest rules and prohibiting party and government officials from engaging in any private business, limiting severely the ability to earn wealth through the hiring of labour or renting property, and discouraging private capital accumulation and investment by the smallest and largest businesses alike.
1970	Corruption Ordinance- Cap 400 amendment of 1970 by Act No 1/70.	This Act, among other things, empowered police officers authorized by the President or attorney General to require public officers to account for their properties. It also authorized the police to search any person if it was reasonably suspected that the person was in possession of property corruptly acquired.
	Civil Service Regulations Act of 1970 (Cap 509).	In this Act, civil servants were supposed to serve the general public skilfully and diligently. They were supposed to be governed by rules and regulations; rule abiding citizens in public service, judicious, fair and frank. They were supposed to be politically impartial and transparent in their execution of duties. The virtues were to be fairness, integrity, confidentiality and secrecy.
1971	The Repeal of Act No 1/70 in 1971, by the Prevention of Corruption Act, 1971 (Act 16:71).	What this new Act did was to increase the penalties, and empowered the Attorney General to prohibit transfer of property corruptly acquired
1973	The Leadership Code	The Act aimed at safeguarding the values and self-discipline of those in

	Act No 6 of 1973	the public service
1975	Anti-Corruption Squad (The Amendment of the Prevention of Corruption Act, 1971 (Act 16:71) in 1975	The Squad was supposed to: undertake measures to prevent corruption in public and private sectors; investigate and prosecute (subject to the directions of the Director of Public Prosecution) for offenses under the Act or offenses on corruption in general; and advice the Government, the community, corporations and institutions on ways and means to prevent corruption.
1977	The creation of an Ethics Secretariat of Public Leaders	The 1977 United Republic Constitution under clause 132 made provision for the creation of an Ethics Secretariat of Public Leaders. The Secretariat was given authority to enquire into any alleged or suspected abrogation of the code of ethics by leaders
	The Controller and Auditor General	This was another important institution which was provided in the 1977 Constitution. Its functions are: examination, enquiry into and auditing of all accounts of public revenue. It also checks that the collection is in accordance with the law and the treasury regulations, and that government property are safeguarded and properly used
1982	Local Government (District Authorities) Act No 7 of 1982 and Local Government (Urban Authorities) Act No. 8 of 1982	The Acts become effective in 1984. One of the aims was to ensure good governance through the rule of law, transparency and accountability to prevent corruption on local government resource management system
1983	The Economic Sabotage Act of 1983	It was adopted to address the proliferation of the parallel market and to prevent the government avenues from corruption. The aim was to incarcerate individuals (officials and private businessmen) profiting from the massive leakages of products from official channels
1984	The Economic and Organised Crimes Control Act of 1984	The Act repealed the Economic Sabotage Act of 1983 and incorporated offences under the Prevention of Corruption Act as economic offences
	Adoption of "own-funds" import license scheme (OF).	The OF led to the legalization of the widespread parallel market and corrupt private importation deals by granting import licenses to individuals with access to their own foreign exchange without having to purchase the corresponding amount of official foreign exchange
	The Bill of Rights, (Constitutional Amendment of 1984)	The Bill of Rights specified citizen Basic Rights and Duties and introduced them into the 1977 Constitution which become effective in 1985 aiming at protecting partly, individual human rights in the country
1985	The Elections Act No 1 of 1985	Also, introduced were specific laws as far as political corruption, mainly in the form of elections, were concerned. The Elections Act provided that corruption, bribery and treating or undue influence in relation to elections were offences punishable by law.
1989	Civil Service Act 1989 (Act No 16)	Just like under the previous Acts, the civil servants were supposed to be governed by rules and regulations; rule abiding citizens in public service, judicious, fair and frank. They were supposed to be politically impartial and transparent in their execution of duties. The virtues were to be fairness, integrity, confidentiality and secrecy
1990	The Elections Act No 20 of 1990	Act provided that corruption, bribery and treating or undue influence in relation to election were offences punishable by law
1991	So called Zanzibar Declaration of February 1991	The National Executive Committee of the CCM revised the Arusha Declaration, stating that a party member could draw more than one salary, rent out houses in order to pay back a mortgage, and acquire shares in a private company. The Declaration syncretistically replaced the Arusha Declaration (1967) by maintaining the ideological, institutional and policy rhetoric of the latter, creating overwhelming confusion among government officials not to speak of the common citizens. With this change, the Leadership Code was undermined, allegedly paving the way for more openly exercised corrupt practices.
	The Prevention of Corruption Bureau	With the amendments of Anti-Corruption Squad related laws in 1991, the squad became what was known as the Prevention of Corruption Bureau.

1995	The Public Leadership Code of Ethics 1995	Public Leadership Code of Ethics Act No 13 of 1995 replaced the Leadership Code Act No 6 of 1973. The aim of the Act was to lay down the basic principles with which the public leaders were supposed to abide. Leaders were supposed to be honest, clean, impartial and transparent - in sum, people of scrupulous integrity
	The Public Leaders' Ethics Secretariat	Monitoring of Public Leaders and Abuse of Power Accountability and Transparency; Research and Statistics; and Education and Publicity
1996	The Warioba Commission	Upon assuming office in 1996, President Mkapa established the Warioba Commission to inquire extensively into corruption at all levels and throughout the country. The Commission found that corruption was rampant in all sectors of the economy, public services and politics nationwide. It handed 70 names to President Mkapa for prosecution. However, it is widely believed that none of those "big names" were prosecuted
	The National Anti-Corruption Strategy and Action Plan (NACSAP)	To addresses corruption in the central ministries and civil society and media involvement in anti-corruption activities
2000	The National Good Governance Framework	The National Good Governance Framework was adopted in 2000 to promote transparency, simplify the rules and procedures and make information accessible to the public
2001	The Commission for Human Rights and Good Governance Act No. 7 of 2001	The 13th Constitutional Amendment of 2000 led to the establishment of the Commission for Human Rights and Good Governance in 2001 as a successor to the ombudsman office
	The Finance Act (2001)	They are considered important milestones in reducing opportunities for corruption, although their full application and effectiveness in practice has still to be proven.
2004	Public Procurement Act (2004)	
2007	The Prevention of Corruption (Amendment) Act of 2007	The Prevention and Combating of Corruption Bureau (PCCB), with a three-pronged mandate to investigate corrupt practices, promote preventive measures and raise public awareness

Source: Extracted from Hussmann and Mmuya (2007:179-180); Chachage (2001: 2-3) and Cooksey (2006:5)